

# **Marketing Strategy Proposal for the Selected Beauty Salon**

Bc. Sofiya Nikitina

---

Master's thesis  
2021

 Tomas Bata University in Zlín  
Faculty of Management and Economics

---

Univerzita Tomáše Bati ve Zlíně  
Fakulta managementu a ekonomiky  
Ústav managementu a marketingu

Akademický rok: 2020/2021

## **ZADÁNÍ DIPLOMOVÉ PRÁCE** (projektu, uměleckého díla, uměleckého výkonu)

Jméno a příjmení:	<b>Bc. Sofiya Nikitina</b>
Osobní číslo:	<b>M190421</b>
Studijní program:	<b>N6208 Economics and Management</b>
Studijní obor:	<b>Management and Marketing</b>
Forma studia:	<b>Prezenční</b>
Téma práce:	<b>Marketing Strategy Proposal for the Selected Beauty Salon</b>

### Zásady pro vypracování

#### Introduction

Define the objectives and the application methods used in the Master thesis.

#### I. Theoretical part

- Prepare literature review of marketing strategies of sector of services.

#### II. Practical part

- Analyze current positioning of the beauty salon.
- Submit the marketing strategy proposal for a selected beauty salon.
- Perform cost, time and risk analysis of the proposed strategy.

#### Conclusion

Rozsah diplomové práce: **cca 70 stran**  
Forma zpracování diplomové práce: **tištěná/elektronická**  
Jazyk zpracování: **Angličtina**

**Seznam doporučené literatury:**

- KOTLER, Philip a Kevin Lane KELLER. *Marketing management*. 12th ed. Upper Saddle River, NJ: Pearson Prentice Hall, 2006, 733 [45] s. ISBN 0131457578.
- LOVELOCK, Christopher H. a Jochen WIRTZ. *Services marketing: people, technology, strategy*. 6th ed. Upper Saddle River, NJ: Pearson/Prentice Hall, 2007, 648 s. Pearson international edition. ISBN 0132056763.
- JAUHARI, Vinnie a Kirti DUTTA. *Services marketing: text and cases*. 2nd ed. Oxford: Oxford University Press, 2017, 578 s. ISBN 9780199456161.
- SMITH, Paul R. a Ze ZOOK. *Marketing communications: integrating offline and online with social media*. 5th ed. London: Kogan Page, 2011, 483 s. ISBN 9780749461935.
- RAHMAN, Muhammad Sabbir, ZAMAN, Mahmud Habib a Md Afnan HOSSAIN. *Service Marketing Strategies for Small and Medium Enterprises: Emerging Research and Opportunities*. 1st ed. Hershey, USA: IGI Global, 2018. ISBN 1522578919.
- TUNGATE, Mark. *Branded beauty: how marketing changed the way we look*. London: Kogan Page, 2011, online zdroj (278 stran). ISBN 9780749461829.

Vedoucí diplomové práce: **doc. Ing. Michal Pilík, Ph.D.**  
Ústav managementu a marketingu

Datum zadání diplomové práce: **15. ledna 2021**  
Termín odevzdání diplomové práce: **20. dubna 2021**

L.S.

---

**doc. Ing. David Tuček, Ph.D.**  
děkan

---

**Ing. Jiří Bejtkovský, Ph.D.**  
ředitel ústavu

# **BACHELOR'S/MASTER'S THESIS AUTHOR STATEMENT**

**I hereby acknowledge that:**

- Upon final submission of my Bachelor's/Master's Thesis, I agree with its publishing in accordance with Act No. 111/1998 Coll., on Higher Education Institutions and on Amendment and Supplements to Some Other Acts, (The Higher Education Act), without regard to the defence result;
- My Bachelor's/Master's Thesis will be released in electronic form in the university information system, accessible for reading only; and one printed copy of the Bachelor's/Master's Thesis will be stored on electronic media in the Reference Library of the Faculty of Management and Economics of Tomas Bata University in Zlín;
- To my Bachelor's/Master's Thesis fully applies Act No. 121/2000 Coll., on Copyright, Rights Related to Copyright and on the Amendment of Certain Laws (Copyright Act) as subsequently amended, esp. Section 35 Para 3;
- In accordance with Section 60 Para 1 of the Copyright Act, TBU in Zlín is entitled to enter into a licence agreement about the use of the Thesis to the extent defined in Section 12 Para 4 of the Copyright Act;
- In accordance with Section 60 Para 2 and 3, I can use my Bachelor/Master's Thesis, or render the licence to its use, only with the prior expressed written agreement of TBU in Zlín, which is in such case entitled to require from me appropriate financial compensation to cover the cost of creating the Bachelor/Master's Thesis (up to the total sum);
- If the software provided by TBU or other entities was used only for study and research purposes (i.e. for non-commercial use) in the development of the Bachelor/Master's Thesis, it is not possible to use the Bachelor/Master's Thesis commercially;
- In the event that the Bachelor/Master's Thesis output encompasses any software product, source codes and/or files of which the project consists of are considered part of the Thesis. Failure to submit this part of the Thesis may result in an unsuccessful defence of the Thesis.

**I herewith declare that:**

- I have created this Bachelor/Master's Thesis on my own and cited all used sources. In case the results are published, I shall be cited as author.
- The contents of the Bachelor/Master's Thesis handed over are identical with the electronic version entered in the IS/STAG.

Zlín .....

date

.....

signature

Name and surname: .....

## **ABSTRAKT**

Cílem práce je zpracovat návrh marketingové strategie pro vybraný kosmetický salon působící ve Lvově na Ukrajině. V první části práce je uveden přehled literatury o marketingové strategii a marketingu služeb spolu s přehledem trhu kosmetických služeb na Ukrajině. Druhá část práce se zaměřuje na představení kosmetického salonu a analýzu jeho obchodního provozu. Během analýzy byly identifikovány slabé a silné stránky spolu s příležitostmi a hrozbami, dále byla navržena řešení pro jejich překonání/posílení. Následně byla provedena analýza makroekonomických a mikroekonomických podmínek. Na tomto základě byla ve třetí části navržena marketingová strategie spolu s prostředky k jejímu dosažení. Poté byla provedena analýza nákladů a rizik navrhované strategie.

Klíčová slova: Marketing, marketingová strategie, marketing služeb, kosmetický salon, kosmetický průmysl, návrh marketingové strategie

## **ABSTRACT**

The aim of the thesis is to elaborate marketing strategy proposal for the selected beauty salon operating in Lviv, Ukraine. In the first part of thesis the literature overview of marketing strategy and services marketing along with the overview of beauty services market in Ukraine is presented. The second part of thesis focuses on the presentation of the beauty salon and analysis of its business operation. During the analysis the weaknesses and strengths with opportunities and threats were identified, the solution of overcoming/enhancing was proposed. In addition, the analysis of macroeconomic and microeconomic conditions was performed. On this basis in third part the marketing strategy was proposed along with means for achieving it. Afterward, the cost time and risk analysis of the proposed strategy was conducted.

Keywords: Marketing, Marketing Strategy, Services Marketing, Beauty Salon, Beauty Industry, Marketing Strategy Proposal

I would like to express my gratitude to doc. Ing. Michal Pilík for his patience and assistance in creation of this thesis.

# CONTENTS

<b>INTRODUCTION</b> .....	<b>9</b>
<b>I. THEORY</b> .....	<b>11</b>
<b>1. THEORETICAL ASPECTS OF MARKETING STRATEGY</b> .....	<b>12</b>
<b>1.1 MARKETING ACTIVITY AND ITS NATURE</b> .....	<b>12</b>
<b>1.2 IMPORTANCE OF MARKETING STRATEGY</b> .....	<b>18</b>
<b>1.3 SERVICES MARKETING</b> .....	<b>27</b>
1.3.1 CLASSIFICATION OF SERVICES AND THEIR DISTINCTIVE FEATURES .....	28
1.3.2 MARKETING APPROACH TO SERVICES.....	33
<b>1.4 BEAUTY INDUSTRY IN UKRAINE</b> .....	<b>39</b>
<b>II. ANALYSIS</b> .....	<b>42</b>
<b>2. CHARACTERISTICS OF THE BUSINESS OPERATION OF THE COMPANY</b> .....	<b>43</b>
<b>2.1 ORGANIZATIONAL CHARACTERISTICS OF THE COMPANY</b> ..	<b>43</b>
<b>2.2 ANALYSIS OF INTERNAL AND EXTERNAL ENVIRONMENT</b> ....	<b>48</b>
2.2.1 MARKETING RESEARCH .....	49
2.2.2 ANALYSIS OF FINANCIAL PERFORMANCE OF THE COMPANY .....	52
2.2.3 SWOT OF THE BEAUTY SALON.....	53
2.2.4 PESTEL ANALYSIS.....	56
2.2.5 PORTER’S FIVE FORCES ANALYSIS .....	61
2.2.6 COMPETITION ANALYSIS .....	64
<b>2.3 ANALYSIS OF MARKETING ACTIVITY OF THE BEAUTY SALON</b> .....	<b>66</b>
<b>III. PROJECT PART</b> .....	<b>72</b>
<b>3. MARKETING STRATEGY PROPOSAL</b> .....	<b>73</b>
<b>3.1 MARKETING STRATEGY PROPOSAL</b> .....	<b>73</b>
<b>3.2 COST-TIME-RISK ANALYSIS</b> .....	<b>81</b>
3.2.1 COST ANALYSIS.....	81
3.2.2 RISK ANALYSIS.....	83
3.2.3 TIME ANALYSIS .....	87
<b>CONCLUSION</b> .....	<b>90</b>
<b>BIBLIOGRAPHY</b> .....	<b>93</b>
<b>LIST OF ABBREVIATIONS</b> .....	<b>97</b>
<b>LIST OF FIGURES</b> .....	<b>98</b>

<b>LIST OF TABLES .....</b>	<b>99</b>
<b>APPENDICES .....</b>	<b>100</b>
<b>APPENDIX P I: PHOTOS OF MILEDI LLC .....</b>	<b>101</b>
<b>APPENDIX P II: QUESTIONNAIRE .....</b>	<b>102</b>



## INTRODUCTION

With the growth of services sector in global arena, the cult of beauty and popularity of beauty services is gaining momentum. Along with growth of demand comes increase of competition in both domestic and global markets. Thus, for successful business operation of the organization marketing and its approaches are imperative.

Marketing ensures that the consumer's and manufacturer's interests are aligned, and it serves as the foundation for the establishment of effective manufacturing and competitiveness of the companies. Therefore, one of the most important objectives of marketing activities is defining the company's goals along with the current and future needs of consumers, in addition to creation of a suitable offer to meet the requirements of the customer aimed at establishing lasting prospective consumer-company relationship.

Although, abrupt shifts in the economy, politics, the growth of competitors' forces oblige the company to reconsider its strategy in order to maintain previous level of profitability. Hence, improving marketing strategy is an integral part of a successful business operation. This fact determines the relevance and validity of the chosen topic. In this regard, the topic Marketing Strategy Proposal for the Selected Beauty Salon was chosen.

The purpose of this master's thesis is to compile the theoretical aspects of the efficient marketing activities in services sector, conduct analysis of the selected beauty salon and the development of marketing strategy proposal for the given organization.

The object of research in the given master thesis is business and marketing activity of "Beauty Boutique Miledi", operating in Lviv, Ukraine. Whereas the subject of this thesis is the marketing strategy for the abovementioned beauty salon.

In order to elaborate the marketing strategy proposal for the given company, the following objectives were stated:

- Determine the essence of marketing and marketing strategy, review the services marketing approach and current beauty services market in Ukraine;
- Analyze the current marketing strategy at the enterprise Miledi LLC;
- Based on the conducted analysis, propose marketing strategy aimed at the increasing the efficiency of the marketing activities of Miledi LLC as well as its competitiveness;
- Perform cost, time and risk analysis of the proposed marketing strategy.

The literature, which constituted the basis for this master's thesis are the books and articles of scientists such as P. Kotler, M. Mescon, E.J. McCarthy, C. Lovelock and J. Wirtz,

C. White, C. Grönroos, M. Porter, P. Smith and others. In addition, the internet resources of the beauty salon were used.

In this thesis the quantitative research method was utilized, along with subsequent analysis of the current marketing activities of the beauty salon and estimation of cost, time and risks of the proposed strategy implementation.

The objectives and methodology of this thesis formulated the following structure of thesis:

- First chapter is theoretical part. It reviews the general marketing theory. Moreover, theoretical aspects of marketing strategy are to be discussed along with peculiarities and tenets of services marketing. General information on beauty industry in Ukraine is stated.
- It is followed by the second chapter named Analysis. It presents the organizational and business characteristics of the beauty salon Miledi. Furthermore, internal and external analysis of the organization's environment as well as analysis of the organization's marketing activities is conducted.
- The third chapter named Project Part presents the marketing strategy proposal, developed on the basis of the analysis of the beauty salon Miledi in second part. The marketing strategy proposal is evaluated in the respect of cost, time and risk analysis.

As the last part of the given thesis, the conclusions and recommendations are formulated.

## **I. THEORY**

# 1 THEORETICAL ASPECTS OF MARKETING STRATEGY

## 1.1 Marketing activity and its nature

Marketing activity is not only a set of tools for moving the business forward, but also a whole system that includes such elements as: collection of information, its processing, research and analysis, identification of the main problems and goals, recommendations for development and means of achieving these goals (Smith et al., 2011, p. 134). Efficient marketing activities at the enterprise are a creative component, essential for successful business operation and profit. In this part the theory of marketing is reviewed.

According to S. Brown, marketing is both the art and science. For the reason that it includes choosing the right target market, attracting, retaining and increasing the number of consumers by making the customer confident that he represents the highest value for the company, in addition to understanding consumer problems and regulating market activities (Brown, 2001, p.109).

Marketing as a management function is as necessary, as any activity in the organization related to finance, production, research in the scientific field, etc. Marketing management components are: marketing activity, marketing function, marketing concept (King, 2018).

Marketing goals are usually aligned with organization goals, such as:

- maximum consumption;
- maximum satisfaction of consumer;
- wide range proposal;
- improvement of the quality of life, etc. (Mescon, et al, 1997).

Thus, it might be concluded that the goal of marketing is to ensure the highest possible level of consumption by increasing sales, profits utilizing various marketing methods.

P. Kotler states that marketing is about recognition and satisfying human needs, whereas the aim of marketing is to create some value for consumer for capturing this value from customers in return (Kotler, 2006, p.6). According to American Marketing Association: "Marketing is the activity, set of institutions, and processes for creating, communicating, delivering, and exchanging offerings that have value for customers, clients, partners, and society at large". Drucker stated that Marketing "...is a central dimension of the entire business. It is the whole business seen from the point of view of its final result, that is, from

the customer's point of view. Concern and responsibility for marketing must, therefore, permeate all areas of the enterprise" (Drucker, 1973, p.63). Marketing is a complex and dynamic phenomenon. This explains the impossibility in one universal definition to give a complete description of marketing, adequate to its essence, principles and functions. The marketing is about human needs in return for profit. If certain needs are not met, the person does not feel comfortable. On the other hand, modern marketing changes in the direction from maximising the profit on each individual transaction to maximise mutually beneficial relationships with customers and other parties (Kotler et al., 2005, p.11).

People's needs are varied and complex. These include physiological needs for food, safety, warmth, clothes, knowledge and self-expression, social and spiritual needs. All these needs are determined by human nature. If any of the needs is not satisfied, the person does not feel comfortable, hence the need to find a way to satisfy them arises. Manufacturers, in turn, take actions to stimulate the desire to own the goods. They try to form a connection between the products they produce and the needs of the person. The product becomes popular as one of the means of satisfying consumer's needs. The marketer does not create a need, it already exists, and marketing is about stimulating demand for a needed product. Another broader marketing definition by Kotler et al., is "a social and managerial process by which individuals and groups obtain what they need and want through creating and exchanging products and value with others" (Kotler et al., 2005, p.6). The figure 1 illustrates the dependency between the mentioned concepts.

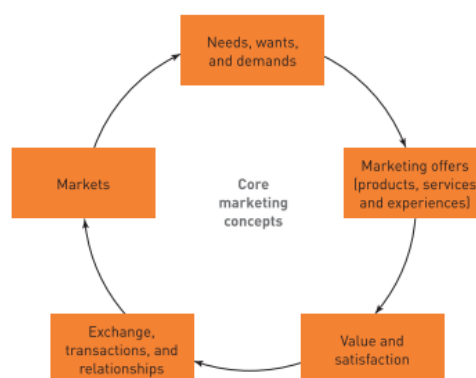


Figure 1. Core Marketing Concepts

Source Kotler et al., 2005, p. 6

There are four main types of marketing concepts, affecting marketing strategy design:

1. Product concept - relies on the strengths of product and an analytical forecast of potential consumer demand for it. In production the main place is occupied by the qualitative characteristics of the product. However, enterprises with such orientation do not pay enough attention to market demands, which leads to the risk of loss. Nonetheless, organizations pursue a tendency of customers to prefer the product with better quality and design, therefore trying continuously to improve product characteristics.
2. Production marketing – philosophy, that customer prefers more accessible and more affordable product. Therefore, production is based on performance indicators, more attention is paid to production costs and their reduction. The organization determines the volume of production and the level of costs, based on the analysis of effective demand. However, there may be situations of oversupply in the market, because of this, there is a risk of losses.
3. Selling marketing - the focus of marketing activities on the volume of sales, due to the desire to quickly update the range of products and increase the turnover, even for the products, which client would not consider buying. In this case, attention is paid to the analysis of the current demand. Since little attention is paid to customer satisfaction and the focus is on the current volume of sales, dissatisfaction and a decline in revenue might arise.
4. Marketing concept - focus on the continuous process of meeting the needs and wants of consumers on the target market. Attention is focused on the differences between the needs of different groups of consumers and on changes in preferences. As a result, the company quickly adapts to changes in market demand. Such enterprises are least prone to the risk of saturation, decrease in revenue, and dissatisfaction. This type of marketing requires significant investment in the development and implementation of a marketing strategy. This philosophy of the organization often covers all costs, brings profit, significantly increases the competitive advantage (Kotler et al., 2017).
5. Societal Marketing concept – philosophy, which poses a question if the marketing concept is aligned with societal needs and is focused on prevention of the conflict of short-run needs of consumer and long-run customer's welfare (Kotler et al., 2017 p.37). Overall marketing strategy aimed at current needs and wants of the customer with creating value for the consumer might be integrated with perceiving well-being of the

society in a long run. The sustainable marketing is a central motive in this concept, which is balancing consumer's requirements, profit of the company and societal well-being.

Since marketing is also about relationship between company and stakeholders, more and more companies are utilizing relationship marketing. Perhaps it is the most significant notion in modern marketing. Customer relationship management, in its broadest meaning, is the process of forming and sustaining profitable customer relationships by delivering value to customers. It affects all stages of acquiring new customers, engagement, and expansion. Customers, workers, marketing partners, and financial community are four important stakeholders in relationship marketing. Marketers must ensure that all of these stakeholders succeed and that the profits to all stakeholders are balanced. Understanding their strengths, resources, needs, ambitions, and objectives is necessary for developing effective relationships with them. Relationship marketing results in marketing network, which consists of the company and its supporting stakeholders—consumers, employees, suppliers, retailers, distributors, etc. —with whom it has established mutually lucrative business relationships (Kotler and Keller, 2013, p.20). One of the most important elements in relationship marketing is consumer. Therefore, the company aims to establish a good customer relationship strategies, where there are two main aspects of customer's satisfaction and customer's value. Customer's value - is the customer's assessment all of a market offering's advantages and expenses in comparison to rival offerings. Customers, on the other hand, do not always appraise values and expenses accurately, thus it is called perceived value, as it might differ and for each individual be different. On the other hand, there is another aspect - customer's satisfaction, which depends on performance of product in comparison to expectations of the customer (Kotler et al, 2017, p.40). The consumer feels unsatisfied if the product fails to meet their expectations. On the contrary, the customer is satisfied if the performance matches the expectations. This notion is taken into account by the organizations, therefore they are exploiting it profitably, by not maximizing the satisfaction of customer from a product, but providing higher satisfaction, than competition.

It is worth noting, that with the development of marketing as the discipline and science another approach to marketing emerged. It gathered all of the marketing concepts and provided the framework to pay attention to all the processes and elements in it equally. It is called holistic marketing concept. The focus of holistic marketing approach is creation, design, execution of marketing programs, processes, with attention to their interdependency (Kotler et al, 2017, p.41). Relationship marketing, integrated marketing, internal marketing,

and performance marketing are the four broad components that make up holistic marketing concept. Relationship marketing is already described, thus the description of other elements of holistic marketing will follow.

Integrated marketing concept arises when design of marketing activities compiles together marketing programs to develop, communicate, and deliver value to customers, with the outcome that the whole piece is much more valuable than its parts. Many various marketing actions can produce, communicate, and provide value, and marketers should create and execute every marketing action, paying attention to all other actions. In addition to this fact, the integration of the channels and communications takes place.

Internal marketing deals with the motivation and incentives of the constituents of the company. The employees at the first place should know which marketing activities the company uses and internal marketing is aimed at helping them to embrace it. Providing motivation to the employees by marketing tools aids in creation of high standard service and product, which, in turn, helps to achieve this high level of quality for the company. When the company is integrated, it affects the organization's efficiency. Therefore, it is imperative to utilize internal marketing equally as other marketing concepts or as a part of holistic marketing for better results.

The last component of holistic marketing is performance marketing. This notion of performance marketing means monitoring both financial and non-financial returns of the marketing operation of the company. Performance marketing is a tool for observing the results of marketing activities of the enterprise, by analyzing changes in marketing variables like: market share, customer's satisfaction, product quality, etc. (Kotler et al., 2017, p.22).

Marketing activity in general focuses on the study of the following questions:

- analysis of the environment (internal and external);
- market analysis;
- market segmentation;
- development of a marketing plan;
- development of new products and modernization of existing products;
- planning of commodity circulation and sales;
- the formation of demand and sales promotion;



- planning, execution and control of the process, risk assessment.

Marketing activities provide:

- 1) Reliable and up-to-date information about the market, its structure and dynamics of specific demand, consumer preferences, and information about the external conditions of the company's operation;
- 2) Product or range of products planning, which meets the requirements of the target market in a greater extent, than competitors' goods;
- 3) The stimulation of demand, on the market, providing the maximum control on the scope of sales.

Thus, as a result marketing activities provide information for marketing strategy and later it is implemented with the assistance of appropriate marketing mix.

After establishing the meaning and the essence of the term marketing activity it is clear what the marketing activities of the organization are. Since the topic of the thesis is related to small business, further a small business and entrepreneurship is considered.

Entrepreneurship is an independent activity aimed at the systematic profit from the use of property, the sale of goods, the performance of work or the provision of services by people registered in this capacity in the manner prescribed by law (Ahmad and Seymour, 2008). Small business plays an important role in shaping the market. It is space-filling in an emerging market.

The share of small businesses is growing steadily. When entering the market, a new firm has two goals: to make a profit and survive. The product should obtain specific properties and be differentiated from competitors offers, in order to be interesting for consumer. An important factor is the quality of the product. In order to stimulate the growth of the company, it is necessary to conduct forethought marketing activities. The success of the small business directly depends on successful and effective marketing. With the help of marketing the manufacturer can ensure that customer chooses the goods needed and will return for repeated purchase. Small businesses are consumer-oriented and limited in terms of quantity, space, time and quality.

## 1.2 Importance of Marketing Strategy

Marketing strategy is a set of basic decisions aimed at achieving the general strategic goal of the company and proceeding from an assessment of the market situation and company's own capabilities, as well as other external factors and internal forces of the marketing environment (Kotler, 2017, p.212). The purpose of developing a strategy is to determine the main priority directions for the company's development, taking into account the sources of its support and market demand. The strategy should be aimed at making the best use of the company's capabilities and preventing actions that can lead to a decrease in the company's performance. A strategy has five main elements: where the company aims to be active, way of achieving this, means to achieve success in the chosen market place, what would be the speed and moves; and a way for the organization to obtain profits (Hambrick and Fredrickson, 2001, p. 50).

Within the framework of marketing, first of all, the practical implementation of the goals of a strategic plan, aimed at the future, is conducted. Strategic planning in combination with the analysis of marketing information becomes a development factor, allowing timely capture of trends in the economy, change in the minds of people, structural shifts. Determining the long-term directions of the company's activities, choosing a specific option for economic growth is crucial not only for strategic planning, but also for the development of marketing strategy. The main focus of marketing strategy should be on effectively allocating and coordinating marketing activities and resources to achieve the company's objectives within a specific product-market (Mullins and Walker, 2013). Adoption of efficient strategy requires strategic decisions, each of which has marketing applications, in steps: 1) defining company's mission and overall scope of business, 2) defining goals along with objectives, 3) delineate the source of competitive advantage with the 4) following of strategy development oriented on future expand, 5) allocation of resources for the growth and implementation, followed by 6) exploration of synergy through sharing intangibles, product lines or business programs, company resources (Mullins and Walker, 2013, p.42).

The key elements of marketing strategy are listed in a table 1.

Table 1. Components of Marketing Strategy. Source: Mullins and Walker, 2013, p.41

Strategy components	Marketing strategy
Scope	Target market definition
	Product-line depth
	Branding policies
	Product development plan
	Extension of the line and product elimination plan
Goals and objectives	Constrained by business and organizational goals
	Objectives for specific market entry
	Sales, Margin, Market share, Customer satisfaction
Allocation of resources	Allocation across marketing plan (marketing mix) for specific product entry
Sources of competitive advantage	Primarily through effective product positioning, advantage in one of the elements of marketing mix relative to competitors in the given product market
Sources of synergy	Shared marketing resources, competencies, or activities across product-market entries

Marketing strategy belongs to a greater scope strategy of the enterprise, therefore, it is imperative to distingt the strategies acording to their hierarchy, shown in figure 2.



Figure 2. Levels of Strategies.

Source: Adapted from Mullins and Walker, 2013, p.40.

**Corporate strategy** focuses on coordination of the activities of different BCUs in an organization, decisions about the resources across those BCUs, business orientation and product portfolio with prioritization in addition to deciding upon important investments. In addition, on this level the objectives and goals of the company are defined. On this level the following important tools and methodologies are used for determination of priorities:

- BCG Matrix. Boston Consulting Group Matrix belongs to portfolio models. The BCG matrix is presented on the figure 3. In this particular analysis indicators of the relative market share (X-axis) and the relative market growth (Y-axis) for the products are evaluated. In alternative versions, the absolute values of these indicators are used and for the indicator of market share, a logarithmic scale might be used.

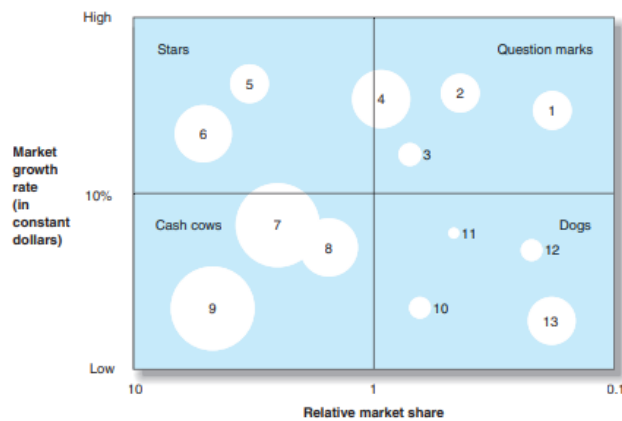


Figure 3. BCG Matrix. Source: Mullins and Walker, 2013 p.52

This matrix is based on the following assumptions: the higher the growth rate, the greater the opportunities for development; the larger the market share, the stronger the organization's competitive position.

The intersections of these two coordinates form four sections. If the products are characterized by high values of the indicators, then they are called "stars", therefore they should be invested in and strengthened. The “stars” have one disadvantage: since the market is developing at a high rate, the “stars” require higher investments, thus, consuming the money they have generated. In case the products are characterized by a high value of X and a low of Y, then they are named "cash cows" and are generating the organization's profits, for the reason that in this case there is no need to invest in the development of the product and the market (the market does not grow or grows slightly) and they have no future. With a low value of X and a high value of Y, the products are named "question marks": they should be studied in order to establish whether they can transform into "stars" after certain investments. When both X and Y have low values, the products are called “dogs” or “pet”, generating little profit or small losses; it is necessary to dispose of them as soon as possible, if there are no reasons for their preservation (renewal of demand, socially significant products, etc.).

In addition, when utilizing the BCG matrix, a third indicator is used, the value of which is directly proportional to the radius of a circle around a point, which characterizes the product position in the matrix. In the majority of analyses, the volume of sales or profit is used as an indicator.

In addition to the success level of individual products, the matrix is applied for measuring the SBUs and the organization as a whole. In this case, not individual products are applied to the matrix, but efficiency of the activities of individual SBUs or even

competing organizations. With the assistance of this matrix, managers decide upon the issues of determining the directions of investment in order to win a larger market share, and about disposal of products from production.

One of the disadvantages of this method is that the matrix represents a static picture of the strategic economic unit's position or types of business on the market, on the basis of which it is impossible to make predictions. Among other fundamental disadvantages of the matrix is that it does not take into account the interconnection of certain types of business - if a dependence exists, this matrix gives distorted results. Moreover, it should be noted that assessing the market attractiveness in terms of the change rate in sales volume and the strength of a business's position (market share) is a strong simplification.

- General Electric Matrix

The General Electric matrix, or the McKinsey matrix, is framework for decentralized corporation used to assess the attractiveness of individual strategic business units, shown in figure 4.

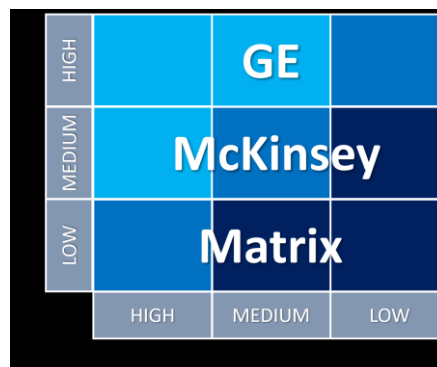


Figure 4. GE Matrix. Source: GE McKinsey Matrix, 2021.

The matrix provides an analytical data for analysis, conducted on the basis of two coordinates: the X axis characterizes the competitive position of strategic business unit in the industry, the Y axis — the industry attractiveness. Each of these coordinates is determined taking into consideration several parameters. The position strength is determined by the relative market share indicator, the dynamics of its change, the profit, degree of competitiveness, price, geographical conditions of the market, quality, efficiency, and employee performance. Three levels of gradation of this index are generally accepted: high, medium, low.

The attractiveness of the industry is determined by: the size and variety of markets, growth rate, competition, the industry profit, the cyclical demand, cost structure, policy, legislation, and labor supply. Three levels of gradation for this index

are used: high, medium and low. The intersection of lines form a matrix, divided into three zones, with following prioritization: the zone of high competitiveness, in which the organization must invest; the zone, where the organization should maintain level of investment; and the zone with low competitiveness, from which the organization should get the maximum profit, after which it should be disposed. Today there are various alternatives of the GE matrix. Generally, all of the versions are based on the aim to increase the number and variety of aspects taken into consideration in the analysis or to offer more strategic decisions.

In addition to abovementioned methodologies, also Strategic Opportunity Matrix might be used for elaboration of the corporate strategy.

After Corporate Strategy there is a level of Business Strategy.

**Business strategy** is aimed at defining the business development of the company along with specifying product market and segment for the given company. This strategy goals are aligned with corporate strategy goals, aimed at increasing ROI, better market entry, strengthening of competitive advantage by elaboration of competitive strategy. Thus, the elaboration of such strategy requires study of the external conditions along with internal factors, affected by macro and microenvironment. To the frameworks for environmental analysis belong Porter's five forces analysis, PESTEL, Value chain analysis. For the definition of the strategy Generic strategies of Porter or Blue Ocean strategies might be used. In second and third chapter of this thesis some of the methods will be explained and showed in greater detail.

Next level of strategies is **Functional strategy**, to which also belongs Marketing strategy. At this stage it is important to allocate marketing resources efficiently and outline marketing objectives according to the corporate and business objectives for the chosen target market within selected product market. The company elaborates a competitive advantage through organized marketing mix (4P concept – Product, Price, Place, Promotion), aimed at specific target market. Therefore the SWOT and benchmarking are used, along with other analyses.

For the joint study of external and internal factors SWOT analysis is recognized as one of the most effective approaches.

- **SWOT analysis** allows the enterprise to develop a set of strategic actions with the goal of strengthening the competitive position and development of the business. During conducting the analysis, the weaknesses and strengths are primarily identified - these are

internal factors that enhance or obstruct the effective operation of the enterprise. Next, opportunities and threats are identified – external environmental features that facilitate or obstruct the expansion and performance of the firm. A matrix of SWOT analysis might be used for establishing links between internal and external factors, for this purpose it is compiled from 4 fields: S-Strengths, W-Weaknesses, O-Opportunities, T-Threats. In the given field the specific factors, affecting enterprise are stated, the main ones might be highlighted and should be taken into account for the development of a strategy for the company. The weaknesses and strengths reflect the internal environment of the company, whereas threats and opportunities reflect external ones. The strategy is elaborated in a way to overcome the existing weaknesses in the company at the expense of emerging opportunities. The factors belonging to strengths and threats are considered to be of use as possible strategic advantages. The strategy involves using the means to eliminate threats. The factors of weaknesses and threats are considered as constraints for strategic development. During the development of the strategy, it should be remembered that opportunities and threats can move become the opposites. For example, an unenhanced opportunity might become a threat in case competitor uses it. Or, on the contrary, successfully faced threat might create an additional strength for the company if competitor has not prevented the same threat (Jalolovna, 2020).

- For assessment and reading of the competitive environment and company's place in it, a tool called "**benchmarking**" is used. Methodology of benchmarking includes comparative analysis of the key success constituents of the analyzed company with its main competition. It is a methodology for managing the competitive potential of the organization. In the majority of cases the analysis is conducted according to the following indicators:
  - market share;
  - ratio quality - price;
  - technology of production;
  - profitability of goods;
  - sales volume;
  - new products;
  - the ratio of domestic and world prices;
  - the company's reputation;
  - competitors' strategies and plans;

- the products competitiveness research and the effectiveness of marketing activities, etc. (Jalolovna, 2020, p.6198).

This comparison is crucial for determining what the company should endeavour and what aspects need to be reformed.

Marketing strategy is on the level of functional strategies, although corporate and business levels also have marketing implications. Moreover, all of the levels of strategies are interconnected, for example, strategic planning is linked to marketing planning as it uses the some of marketing's variables like market share, growth, etc. Marketing strategy is crucial in strategic planning, not only because of providing the philosophy – a guidance how company's strategy should respond to the needs and wants of customers, but also by providing inputs in a way of identifying market opportunities while assessment of company's capabilities, and, in addition, by designing strategy for achieving business unit's objectives within the company (Kotler et al., 2005, p.67).

Marketing strategy planning should be:

- based on an assessment of the prospects in the external environment. It is necessary to take into account the macro-environmental trends in order to move from a narrow orientation to a global one;
- rely on modern forecasting and analysis methods to track new trends;
- specifying target market for specific product;
- the initial management function and an important task of the management of the company in order to present its position in a competitive environment and optimize it (Bradley, 2003, p. 5-7).

One of marketing activities, on which the strategy should be based is dividing the market according to the needs and preferences of specific target groups, as the customer is central element of the companies operation. Thus, in order to establish valuable customer relationships and deliver customer value the company divides the market. This process has three stages: segmentation, targeting and positioning.

The segmentation is dividing the market on a distinct segments of promising, from a point of view of the company, customers. The market might be divided according to such characteristics as: demographics, needs, geography, behavior, etc. The company chooses the segment and aims to satisfy the specific needs of the given segment. It is followed by targeting, identifying the groups of customers to target and on who to focus the marketing activities. Also, it includes recognition of attractiveness of each specific segment. By this



approach an organization is able to find the segment where it is possible to generate high consumer value and establish a profitable relationship. Due to targeting the company distinguishes the approximate return on serving specific segment or it might also target market niche. Further is positioning with differentiation – utilizing tailored marketing mix according to the preferences of the targeted group. The aim of positioning is to position the product in the view of targeted customers and give it a distinctive place, compared to competition. Positioning often is linked with differentiation. The company utilizes differentiation in order to increase customer value of the product, compared to the competition. Once an organization has decided on a positioning, it takes decisive marketing actions to convey and communicate that positioning of the product to its intended audience. The positioning approach is the basis on which the entire marketing program of the organization is aligned with.

Various marketing segments might need special marketing mix in order to communicate the positioning of the product. Marketing mix is one of the tools of implementing the segmentation, targeting, positioning in the framework of marketing strategy, which consists of the 4P concept: Product, Price, Place and Promotion. The concept of 4P was introduced by E.J. McCarthy in book *Basic Marketing: a Managerial Approach* (McCarthy and Perreault, 2002).

- Product category deals with the physical aspects of brand's value proposition, aimed at satisfying customer's needs on the target market. Product features include design, quality, service, characteristics, range, etc.;
- Price category works with the strategy of product delivery to the customer and price level of the product, meaning amount of money the targeted group is ready to pay for this specific product. Price features include discounts, terms of payment, price lists, etc.;
- Place factor is about the way of delivering the product and focuses on the place designed to make it available. Place features include location, inventory, logistics, etc.;
- Promotion is focused on the communication with customers with subsequent persuasion of consumers about the values and characteristics of the product. Promotion includes advertising, public relations, discounts promotion, etc.

However, from the point of view of holistic marketing and integrated modern approach, another 4P model might be used for reflecting the up-to-date marketing situation: people, processes, programs and performance (Kotler and Keller, 2013, p. 25).

- People. This category reflects the internal marketing approach in the framework of holistic marketing. The people are imperative for the marketing success. The effectiveness of marketing depends on the employees and their motivation;
- Process category is focused on the structure in a way the company manages it. The processes and their implementation play a crucial part in success of the marketing as a part of other strategies along with the efficiency of the organization;
- Programs factor is about all activities of the organization aimed at consumer. This category includes traditional 4P concepts along with modern one. The aim is to integrate the activities of all kinds and reflect the essence of integrated marketing, where separate notions are less valuable than the whole.
- Performance reflects objectives of performance marketing as monitoring the returns associated with marketing with financial and other connotations.

An efficient marketing plan integrates the marketing mix parts into the marketing program that engages customers and provides value in order to meet the company's marketing objectives. The marketing planning covers the marketing mix and in the meantime is a part of the marketing strategy, which, in turn, is a part of greater business and corporate strategies of the enterprise.

To sum up, for the development and adoption of strategic and marketing plans, an analysis of the general situation of the company and its forecast is needed. The instability of economic development, changing conditions might complicate the many processes in the economy as a whole. Therefore, the key point in the elaboration of a company's marketing strategy is the analysis of the internal and external factors. Analysis of the internal environment allows to identify the ability of the enterprise to the implement the strategy; analysis of the external factors is necessary because of the fact, that changes in these factors lead to the extending of marketing opportunities, as well as to limiting the possibilities for successful marketing. Moreover, the marketing research is crucial for the analysis the “consumer-product” relationship, the peculiarities of competition in the market and given

industry, the current state of the macro-environment, and the opportunities in the industry in the geographical region of the company's business operation. The implementation of a market strategy involves the choice of means and methods to achieve the set goals: the choice of target markets, methods and time to enter them, the determination of the efficiency of production and sales through the development of marketing programs.

Each strategy of the organization has different focus and purpose. Depending on the business goals set and the means to achieve them, there a lot of classifications of the strategies. Among them are – strategies for new and growing markets, for mature and declining markets, which, in turn, hold classifications for a wider range of marketing strategies. Despite the strategies the company adheres to, it should be able to quickly adapt to changes in the market situation and remodel its strategic focus. Therefore, in the process of developing strategic marketing planning, a large number of methodologies and models for developing marketing strategies have been created. These methodologies facilitate the right direction of strategic development. Generally, for elaborating efficient strategy both formal and informal methods based on a creative and intuitive approach are utilized.

### **1.3 Services Marketing**

Marketing in service sector, in contrast to marketing in product industry and trade, has its own distinctive features, allowing to consider the service sector as an independent direction in marketing. The service sector is characterized by certain methods of their formation, planning, development, allowing service enterprises to solve the current and future tasks, to develop new markets and create a new type of service in accordance with the growing market requirements. Nowadays, there is a remarkable growth in a sector of services in all of the geographical regions in the world, including Ukraine, see figure 5. Therefore, it is important not only analyze marketing activities for products, but also focus on the marketing of services and its distinctions.

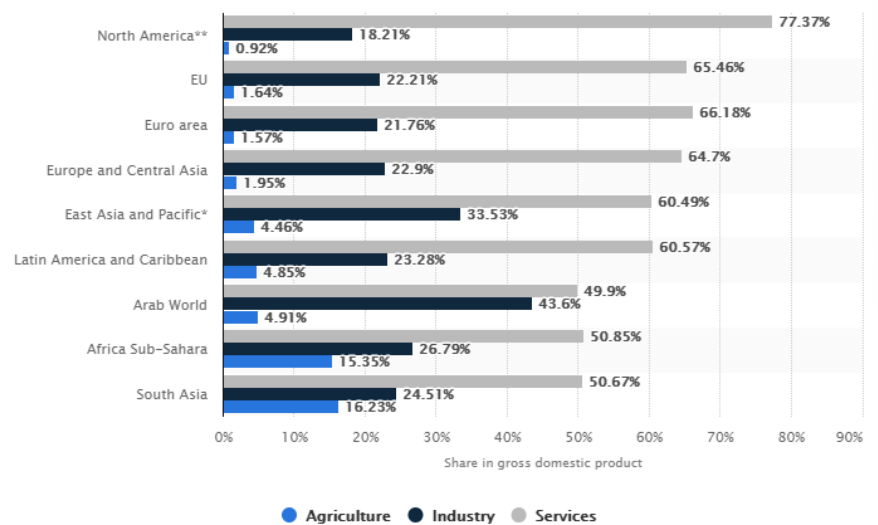


Figure 5. Share of economic sectors in the gross domestic product (GDP) of selected global regions in 2019. Source: Statista, 2021.

### 1.3.1 Classification of services and their distinctive features

A service is understood as a wide variety of activities covering complex relationship, therefore it might be difficult to define. C. Lovelock and J. Wirtz provide an adapted definition from marketing perspective: “Services are economic activities offered by one party to another. Often time-based, performances bring about desired results to recipients, objects, or other assets for which purchasers have responsibility. In exchange for money, time, and effort, service customers expect value from access to goods, labor, professional skills, facilities, networks, and systems; but they do not normally take ownership of any of the physical elements involved” (Lovelock and Wirtz, 2011, p.15). According to Kotler et al.: “A service is any activity or benefit that one party can offer to another which is essentially intangible and does not result in the ownership of anything. Its production may or may not be tied to a physical product.” (Kotler et al., 2005, p.625). Historically, there are traditional services, which include transport, financial, security, medical services, as well as certain types of household services (sewing clothes, shoes, hats), communication services, food and trade. The traditional ones are being replaced by new types and varieties of services: information, computer, printing, scientific, auditing, consulting, exchange, etc.

The service market has significant differences, compared to other markets. This fact might have several explanations. To them belongs the explanation that the service itself does not exist until it is provided. The demand for services, along with the saturation of the product market and the complication of production, is constantly increasing. In the majority

of developed countries, the service sector is ahead of the manufacturing sector not only in terms of growth rates and the emergence of new types of services, but also in terms of its adaptation to market needs.

The main reason for a significant increase in the role of services in the modern economy is, first of all, the emergence of new types of services because of the scientific and technological advance influence. Also, to this contribute the progress of production and saturation of the market with products of day-to-day demands. The prerequisites for the services importance growth was also the increase of services influence on new types products trade, principally technically complex ones, along with the need of additional services in the sale of products and an increase in financial, transportation, information services with the advances in production.

For gathering statistical data and analysis of market activity services might be classified. The most common international and Ukrainian service classifications are:

1. Classification of the World Trade Association;
2. International Standard Industrial Classification (ISIC);
3. Classification of the Organization for Economic Cooperation and Development (OECD);
4. State Classifier of Ukraine from State Committee of Ukraine on Standardization, Metrology and Certification.

The activities that, according to statistics, belong to the class of services, are various. They are targeted at different objects, have a diverse target market, sensitive to promotion, price elasticity of demand. They are different in the aspect of tangibility, transportation and storage options. The performance of some services depends on the utilization of technological advances and inventions, while other might be dependent on the skill of the service provider, etc.

The availability of various kinds of services allows them to be generally classified into general groups like:

1. Construction and related services - engineering, leasing, customer service for the repair of equipment and various equipment;
2. Distribution services - in trade, transport services;
3. Recreational - tourism;
4. Educational services - education;
5. Financial services - banking, insurance, financial, consulting, etc.
6. Communication services - television, radio broadcasting, internet;

7. Health and social services - health care and culture;

8. Other services.

Also, services industry might be classified by the ownership: public (e.g. state institutions) or private sector (e.g. banks); by market: consumer (e.g. retailers) or industrial (e.g. engineering studio); by customer presence: high customer contact (e.g. beauty salon) or low customer contact (e.g. mobile repair). In addition, services might be people or equipment bound. In case of people bound services an example might be education, whereas equipment bound – vending machines (Kotler et al., 2005, p. 626).

Thus, with substantial amount of types of services and their growth, more and more important becomes services marketing. Services marketing communicates the benefits to the customer, defines the target market and the promotion of services effective for this specific market. The main objective of marketing of services is to assist the customer in evaluation of certain services and make the decision. While elaborating marketing strategy concerning services, the company should necessary consider the distinctive characteristics of services.

Distinctive characteristics of services are following:

1. *Service intangibility.* The service cannot be assessed via senses, this fact makes it difficult to perceive the service. The uncertainty of the customer is increased, compared to products market. In this respect, consumers are searching for the presence of tangible elements in service products that help to assess the potential proposed quality. These tangible elements include: the appearance of the company's office; interior design; availability of technological equipment; the appearance of used office equipment and consumables; communication systems; the appearance of company's leaders and employees; the customers' opinion, who is already using the services of this company. These and other tangible elements of service products can cause a beneficial effect on new potential customers and thus become tools for marketing technologies aimed at obtaining additional competitive advantages. Therefore, the company proposing services should provide an evidence of the benefits of the service. On the contrary, product marketers are providing intangibles along with the tangible offer (Levitt, 1981, pp.94-102). The evidence of the characteristics of the service is provided with the help of marketing mix and 4Ps. For solution of the problems associated with the intangibility of services, methods of psychological influence on target markets, are important along with creation of a unique image of the company and the service this company provides; maintaining of the business reputation and the authority of the service product trademark

at acceptable level; forming the channels for the spreading of positive information about customer satisfaction, word of mouth, and through the leaders of public opinion. The utility of these marketing methods is aimed at increasing the customer's confidence level in services and in the organization that provides them.

2. *Inseparability*. The service cannot be separated from the producer, the service will not take place without it. The consequence of this specific feature of services is that the quality of service products is directly dependent: on the nature and level of interaction between the personnel of the service company and its customers, as well as various groups of employees with each other; on other people actively involved in the service process or passively observing it; on the ability of personnel at the specific time or sometimes immediately respond to customer inquiries in the process of providing service to them, and, if necessary, make adjustments to this process. The customer takes part in specific service, therefore becomes a part of it. Therefore, customer-provider interaction is an important feature of services marketing (Kotler et al., 2017, p. 259). In addition, other consumers might be present when the individual consumes his service (e.g. other travelers in plane, audience on the concert). The task for company is to ensure that other consumers will not affect the satisfaction of the given client. Inseparability provides the companies with constraints during demand increase. Since the service is produced and consumed at the same time, the company should in advance foresee different scenarios of the demand increase and elaborate ways how to manage it.
3. *Perishability*. The service is impossible to store or save in order to use or to sale it later. The value of the service exists only in specific place and time. This results in inconveniences during fluctuations of demand, especially, when it is high. There are two approaches for solving these problems, which directly affect the competitiveness of service companies. Firstly, it is an increase in the flexibility of services. This fact allows services to be adjusted to the fluctuations in demand for the services provided. This approach requires a comprehensive understanding of the aspects underlying the service technologies and limits the effective application. Secondly, these are measures aimed at adjusting the fluctuations in demand. Any of the elements of the marketing formula can stimulate the demand during periods, when the capacity of a service organization is idle and, on the contrary, can act as a brake on it during peak loads. Price is usually the first element to balance supply and demand. For instance, theaters give morning performance, on weekends, based on the availability of time for potential viewers, and shopping

centers during periods of low demand increasingly offer a purchases, for example, washing machines and another household appliances, by phone, with following delivery and installation. Equalization of demand can also be achieved with the help of communication efforts.

4. *Variability*. The quality of service is highly dependent on the provider of this service, consumer, way of providing it and other factors. In other words, the quality depends on who provides it, to whom, when, where and how it is provided (Kotler and Keller, 2013, p.392). Quality is a parameter, which is hard to standardize. The level of service is the factor on which depends the quality of the service. Furthermore, with the low level service, the well-designed and thorough-planned marketing strategy might fail to deliver positive outcomes. One of the solutions to this complication might be quality control with regular trainings for personnel along with the incentive programs.

In addition to abovementioned information, some researches distinguish also fifth characteristic of services, which is:

5. *Lack of ownership*. Services lack the aspect of ownership. The customer “owns” the service only in specific time and place, after this the ownership is annulled. The service cannot be sold to another customer by current one. Therefore, it is complicated for companies to build a brand identity or affinity with the consumer. To overcome the lack of ownership, which is usually perceived as disadvantage, the company might propose the customers join the club and be a member of a loyalty program, offer incentive, or transform this disadvantage into advantage (by paying for access to services, not by having services on the permanent basis) (Kotler, et al., 2005, p.633).

Moreover, in marketing and management of the services it is beneficial to visualize service as a package, which includes main and auxiliary services, meaning not only the main service proposal, but also proposal of additional services, therefore it is called service package. According to C. Grönroos, when elaborating the customer centric offer the company should manage services as follows:

1. Develop service concept;
2. Develop basic service package;
3. Develop augmented service offer;
4. Manage image and communication.



The service concept usually is aligned with the outlook of the company and is the reason of the company to operate on specific market, while basic service package is elaborated on its basis and is about proposing services in a pack, facilitating the utility from core service. The augmented service offering includes the programs and relations along with interconnection of the company and customer elements in a form of accessibility of service, interaction with the service organization and customer participation. Augmented service offer is aimed at increasing customer's total perception of services and its quality. Therefore, augmented service offer is a basis for developing management of image and communication, with promotion of the service quality among consumers (Grönroos, 2015, pp.207-213).

The knowledge of these features of services along with understanding of the advantages and the disadvantages allows development of an appropriate marketing plan to promote the service and differentiate from competitors.

### **1.3.2 Marketing approach to services**

Services with all of abovementioned attributes, different from products, require a special approach in management as well as in marketing. Sometimes, traditional tools might be used in order to establish the image and communicate the advantages of the service, although for a greater efficiency it is necessary to utilize additional and special marketing tools. With the increasing volume of services, it is important for a company to be distinctive from the competition and use marketing for facilitation of its market share growth by providing the value to the customer and establishing the profitable relationship with them.

For the reason of specific nature of services traditional concept of 4Ps (Product, Price, Place, Promotion), proposed by E. J. McCarthy, is adapted for services. Moreover, to assist in creation of modern marketing communications this marketing mix was extended. According to C. Lovelock and J. Wirtz, the new extended marketing mix for services is 7Ps, including: Product elements, place and time, price and other user outlays, promotion and education, process, physical environment and people (Lovelock and Wirtz, 2011, pp.22-26).

The adapted marketing mix for services is characterized as:

- 1) Products elements – creation of the appropriate product with good design in order to propose a value for customers on the target market. This includes services package with the core service and supplemental service to pose higher satisfaction for customers, in comparison to competition;

- 2) Place and time – this concept is about way of service distribution, which might be delivered by ordinary and digital channels, both lasting or instantly. The differentiation exists in appropriate distribution channel for core and auxiliary service, therefore the company should decide on it, according to the marketing strategy objectives and take into consideration the time factor;
- 3) Price and other outlays – focuses on the value exchange on the market, which is a part of marketing strategy and establishes the level of price for the company at the expense of the balancing between the costs and surplus from the transaction. The customers are deciding on the basis of price level of certain service, also taking into consideration other user outlays like the time or effort. Therefore, price should be aimed at minimizing those other outlays for the customer. In addition, price level is often used to stimulate or retain the demand level, because of perishability of the service;
- 4) Promotion and education – the promotional element of marketing mix for services is usually educational, for the reason of teaching and educating the consumers of the ways to use the service and obtain the greatest value. Also, because of the intangibility of the service it is imperative for the organization to promote in a way of minimizing customer's uncertainty, by promoting the tangible aspects of the service like experience of the company, expertise of employees and certainty about company's credentials. Also, it is important to ensure non-interference of other customers into one customer satisfaction from the service by targeting a segment of right customers with similar preferences;
- 5) Process – the processes inside the company have become equally important as the outcome of these processes. Thus, effective processes affect the creation and design of the product and other elements. With the different outputs and inputs of the services, comes the variability of services and important management implication of establishing efficient processes (standards, management of quality and incentives for employees) in the company is to minimize this variability;
- 6) Physical environment is one of the elements displaying the characteristics of the company and managing the intangibility of services. Interior design, exterior of building, appearance of the employees, equipment provides cues for observing

tangibles of the service, meaning its quality, delivery of it. The physical environment might affect the perceived customer's value and his satisfaction;

- 7) People – the services are mostly provided by the employees of the company, although more technological ways also exist (vending machines, internet, etc.). The employee's behavior and attitude directly affects the service provided. Therefore, the Human Resources Management activities and cooperation with HR Department in a way of incentives, trainings and motivation of the personnel should be integrated in functioning of the company. HR policy in selecting and training the employees and compiling of employees with the attitudes and outlook of the company culture is crucial in providing a service of high quality to the customer.

For the effective use of marketing mix for services it is important to understand the concept of service profit chain, which focuses on the interconnected cooperation of employee and the client while providing service. The service profit chain ensures company's profit and is linked to customer's and employee's satisfaction. The service profit chain includes: Internal service quality (Employee selection standards, quality of environment), which results in productive service employees with the high level of satisfaction (affects productivity of employees), increased service value (efficient customer engagement and value creation), loyal customers with high level of satisfaction (repeated purchases) and as a result healthy profits from services with following expansion of business operation (increased performance) (Kotler et al., 2005, p. 634). All of the abovementioned facts result from first step, which is internal quality of service and satisfied employees. As a result the interconnection between the marketing mix and understanding service value chain is distinguished.

Consequently, the services company should adopt a broader focus and utilize not only external marketing and marketing mix, but also internal and interactive marketing concepts, as they are interconnected and affecting company's performance, especially in service industry, as is shown on the figure 6.

According to P. Kotler, internal marketing is marketing by a service company to teach and encourage its customer-facing employees and all auxiliary service personnel to work together in order to provide the satisfaction to the client. Whereas, interactive marketing is defined as marketing by a service company that recognizes that the quality of

the consumer–employee interaction has a significant impact on perceived service quality (Kotler et al., 2005, p.635).

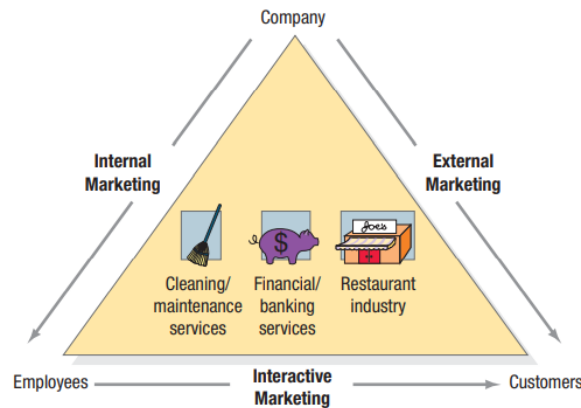


Figure 6. Three types of Marketing in Service Industries.

Source: Kotler and Keller, 2013, p. 365.

Internal marketing is focused on motivating all the employees to be customer-focused, with the efficient training of the workers and motivation in order to establish effective teamwork. The service organization must thoroughly direct its members, establish a sense of satisfaction in them, and encourage them by praise and recognition exceptional service activities, which results in a provision of high quality of service and subsequent increased customer satisfaction. In interactive marketing the perceived value is dependent on the relationship between employees and customers and on the delivery quality of the service. Managing interaction between employee and the client in a way of increasing the quality of the delivery of the service, not only focusing on the quality of the service itself. Therefore, it requires trainings of the employees and developing soft-skills aimed at increasing customer satisfaction and increasing level of service. Efficient relationship between employee and customer results in customer's satisfaction and repetitive purchase, which should be already supplemented with relationship marketing.

The good example of the marketing objectives, illustrating the marketing process in service company, might be found in a book called *Service Management and Marketing* written by Christopher Grönroos. It is a three stage model, developed by C. Grönroos in the book *Strategic Management and Marketing in the Service Sector* in 1983. This three stages model depicts the interdependency of three abovementioned types of marketing in the long-term approach of marketing by defining the objectives of marketing and its functions.

Table 2. Three stage model.

Source: Grönroos, 2015, p. 291.

Stage	Objective of marketing	Marketing function
Initial stage	To create interest in the firm and its services	The traditional marketing function
Purchasing process	To turn general interest into sales* (first purchase)	The traditional and the interactive marketing functions
Consumption (usage) process	To create resales, cross-sales and enduring customer relations**	The interactive marketing function

\* Making promises  
\*\* Fulfilling promises

On the initial stage the main objective is to provoke an interest in the services of the company, thus the traditional methods of marketing are used: advertisement, promotion of sales and public relations. During the purchasing process, which is the second stage, the general interest for buying is stimulated by both traditional and interactive functions of marketing. Following by the last stage of consumption with the objectives to create good customer relationships the interactive marketing is used. What is more, during the whole process the internal marketing is facilitating external and interactive marketing.

According to C. Grönroos, service companies will be performing better in case they apply relationship-type marketing strategy (Grönroos, 2015, p.293). This strategy is aimed at establishing a relationship with the customer and is oriented on a long-run. It is supported by interactive marketing and marketing mix, which results that consumers are less dependent on the price. The quality domination in this approach increases, while the quality of output is becoming less and less important. The satisfaction of customer is analyzed with the direct approach by using customer databases. In the framework of this approach the real-time feedback from customers prevails. In addition, the notion of relationship marketing has high interdependency of marketing, HR management and operations and this dependency might be characterized as strategic. Moreover, internal marketing is highly important.

Moreover, after establishing the essence of the services and marketing, suitable for service, the sophistication of marketing in service industry should be discussed. To the tasks of which belong: competitive differentiation, increasing quality and productivity (Kotler et al., 2005, pp. 636-645).

The services are activities, which it is hard to differentiate from competition. Partly, it might be because of customers themselves, as less and less attention is paid to the provider

of the service than the service itself and its price. It might be due to the nature of service and such characteristics as intangibility, that it is hard for consumer to visualize the advantages of service and make decisions. Therefore, the differentiation of the extended marketing mix for services is solution. Together with internal marketing and people, physical environment and process factor from marketing mix it is possible to differentiate the company from its competitors and distinguish the service by creation of unique image, new technical ways of service delivery and superior environment in which the service is delivered.

The service quality is additional way of differentiation from the competition, although the variability poses a difficulty in the implementation. Therefore, continuous improvement of the service quality is essential along with the understanding what the customer expects from the company during the transaction. By providing the high quality of services the company acquires the customer's retention. In addition, to this category also belongs how the company manages the complaints and failures of the service. With competent work on complains and establishing good relationship with the consumer it is possible to contribute to the service quality and customer's satisfaction. For this purpose the internal marketing is imperative.

The productivity of the service is one of the sources of competitive advantage. Managing the company's productivity in a way that it decreases the costs is crucial for the company, while the costs generally increase. The advance in productivity is possible, when the company motivates employees to work better or hires a new ones with better skills, contributing to the productivity. Also, it is possible when utilizing the appropriate interactive marketing. Moreover, the technologies might be used as one of the means to increase the productivity. Although, at some point it is necessary to balance the productivity and services quality. The methods suitable for boosting productivity in short-run might harness the quality in a long-run (Kotler at al., 2005, p. 264). Therefore, the organizations should manage and understand the customer value and adjust the appropriate productivity-quality ratio.

Thus, to sum up the information stated in subchapter about services marketing, services marketing has differences that allow to set it apart from product marketing as a separate sphere of activity. Services have certain characteristics that differentiate them from products. These include: intangibility, perishability, variability, inseparability and lack of ownership. The given factors require a special approach in marketing to services. These unique characteristics facilitate the adapted marketing mix for services. The most

appropriate marketing strategy for services is relationship marketing and the interconnection between internal, external and intergrated marketing.

### 1.4 Beauty industry in Ukraine

The beauty industry is the industry, where the operation is focused on the field of beauty services and products. What is more, the beauty industry also includes cosmetics industry. Each area of activity has its own characteristics and peculiarities of marketing approaches. The beauty industry is a sector of the economy, with the focus on production of cosmetic products and equipment for beauty salons, including beauty services. One of the aspects of the beauty industry is the scope of its professional activity that is interconnected with the production of the majority of the cosmetics products. Moreover, products manufactured by the beauty industry, might be designed for highly technical manipulations and require professional training of beauty specialists.

Globally, the beauty industry is developing rapidly and Ukraine is no exception. In addition, modern technologies are introduced, new products and services are appearing continuously, therefore the market growth worldwide is noticed (see figure 7).

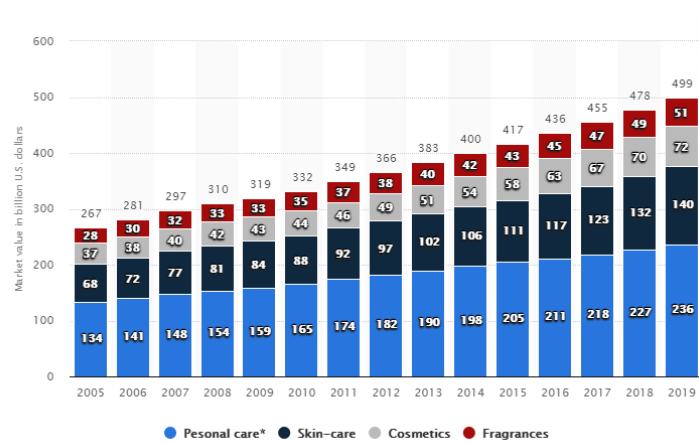


Figure 7. Beauty and personal care market worldwide from 2005 to 2019, by category (in billion US dollars). Source: McKinsey, 2020, accessed on Statista, 2021

The market of beauty services in 2016-2019 has changed significantly. Before the customers preferred full treatment, with all procedures in one salon, now mono services are the trending (Timofeev, 2020, p.188). Manicure, hair style, and cosmetology are all done in different salons. New forms of delivery of the services are designed as a consequence of a new trends in the beauty business:

- Express format. The service is provided in an express format and does not require registering in advance. Manicure islands in shopping centers, for instance, are generally cheaper than traditional salons;

- Mono beauty studios, with the specialization in one service, such as design of the eyebrows or only laser hair removal;
- Salons targeted at a specific category of people, including hairdressers for children or barbershops, exclusively for men;
- Low-cost salons. These salons do not have an administrator and do not provide tea or coffee for customers.

In Ukraine, was an intensive growth in the number of beauty salons that have opened in the last five years, thus there is stiff competition among beauty salons, and the quality of services is sometimes poor (Timofeev, 2020, p. 189). The companies introduced new types of services, also including medical, allowing not only to improve the appearance, but also deal with the main problems of clients - skin aging, hair loss, cellulite and even stress. To compare, 5-10 years ago in salons were offered in the majority of cases hairdressing services, manicures, pedicures and make up (Beauty market overview, 2020). Modern market proposes new services: all kinds of procedures aimed at face refreshment, correction of the figure.

The majority of beauty establishments offer services, which might be categorized as:

1. *Image services* – Hairstyling, Nail service, Makeup, solarium, etc.;
2. *Medical services* – correction of figure, rejuvenation, injections, etc.;
3. *Relaxation services*- massage, SPA, different kinds of therapies, etc.

For the success in beauty industry the beauty salon might combine all of the abovementioned types of services, despite the global trend for mono services.

Modern market of beauty services in Ukraine in might be divided into four categories depending on the cost of services: low – prices up to UAH 200, middle - up to 700 UAH, middle plus - charges up to UAH 1,500 and high price level- over 1500 UAH.

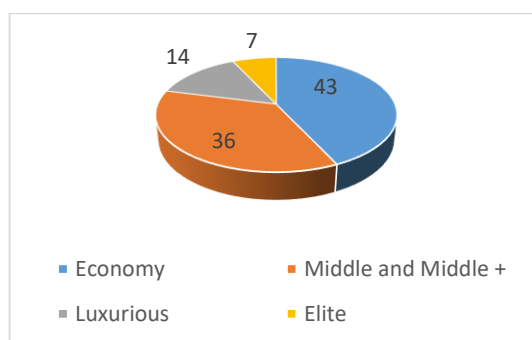


Figure 8. The Class Structure of Beauty Salons on Ukrainian Beauty Market, %

Source: Beauty market overview, 2020



The segments of middle and middle plus show sustainable development. Beauty salons in these price categories offer a reasonable price, a good atmosphere and additional services, moreover, guarantee the safety of the procedures performed.

Beauty market analysis has shown that in Ukraine customers of beauty salons are mostly women aged 25 to 35 years. Ukrainians spend 16% of their income on appearance services. Among the important sources of income for beauty salons are cosmetology services and massage. Cosmetology generates for about 30% of income, massage - 29%, manicure / pedicure - 15%, hairdressing services - 15%, cafe-zone (if any) - 11% of total profits. Recently, the price level of beauty salon services has increased significantly. It might be a result of increase in prime cost for cosmetics and others related materials, the majority of which are imported. The price of the service in a beauty salon has risen on average by 25%. With the growth of the beauty services market share, there are more specialists, who do not work officially, the shadow is estimated as 40% (Timofeev, 2020, p.190).

The customer is a central focus for the beauty industry. Therefore, to build a lasting customer relationship that makes new customers return, the marketing is critical, including three its components: internal, external and integrated marketing.

To sum the information mentioned in this theoretical part: marketing activities provide reliable and useful information about the market, structure and dynamics of specific demand, tastes and preferences of consumers. In addition, these activities provide information about creation of a product or assortment, which meets the requirements of the market in a greater extent, than competitors' products. In order to meet the needs and wants of the targeted customers the development and adoption of strategic and marketing plans, an analysis of the general situation of the company and its forecast is needed. The instability of economic development, changing conditions might complicate the many processes in the economy as a whole. Therefore, the key point in the elaboration of a company's marketing strategy is the analysis of the internal and external factors. Special attention should be noted to services marketing and its differences that allow to set it apart from product marketing as a separate sphere of activity. Services have certain characteristics that differentiate them from products. These include: intangibility, perishability, variability, inseparability and lack of ownership. The given factors require a special approach in marketing of services. These unique characteristics facilitate the adapted marketing mix for services. The most appropriate marketing strategy for services is relationship marketing and the interconnection between internal, external and intergrated marketing.

## **II. ANALYSIS**

## **2 CHARACTERISTICS OF THE BUSINESS OPERATION OF THE COMPANY**

Limited Liability Company Miledi has been operating since May 2020. The legal form of the enterprise is a limited liability company. The activities of the company are regulated by The Civil Code of Ukraine, the Law of Ukraine on "Limited Liability Companies", the Law of Ukraine "Consumer Protection Act", regulations of Ukraine, the Code of the Enterprise.

In this chapter the characteristics of the business operation of the selected beauty salon are identified, in addition to performed analysis of internal and external environment, followed by the analysis of current marketing activities of the selected beauty salon.

### **2.1 Organizational characteristics of the company**

The beauty salon "Beauty Boutique "Miledi" has an unusual name for a beauty salon. The name was a loan word from English language and written in Ukrainian alphabet. The correct spelling of the word is Milady. This word is combined from two English words "My" and "Lady". These words were used for addressing a noble woman in 18<sup>th</sup> century (Merriam-Webster). The word "Miledi" is transliterated from Ukrainian language according to current transcription rules. The collocation "Beauty Boutique" implies the fashionable beauty space.

The beauty salon operates for a wide range of customers, mostly for the residents of Lviv, capital of Western Ukraine, both who want to improve their appearance, and also who desire a relaxation and disposing of tensions along with anxiety after the working day. With the assistance of Miledi LLC, the customers receive an opportunity to maintain their beauty as a result of cosmetic procedures with providing benefits both for appearance and for sound condition. "Beauty Boutique Miledi" LLC possesses an exclusive status of an expert salon of the brand L'oreal Professional. This status means that the majority of products used in services of the given beauty salon are from the abovementioned brand.

Beauty salon Miledi was established in Lviv, Ukraine in second quarter of 2020, since that period every resident of the city is able utilize the services of specialists in the fields of body care, hair style and beauty care. The catalogue that is available in the beauty salon proposes full range of self-care services that help regain the youth, proper care of skin, as well as finding appropriate image of oneself.

The mission of the beauty salon Miledi is to help people see their natural beauty, reveal unique and truly beautiful peculiarities of soul and appearance in each client. In the modern fast-moving world, people are not attentive to themselves and do not notice the beauty around and in themselves.

The general goal of the salon: the development of the enterprise on the basis of stable financial situation through the implementation of efficient marketing activities aimed on maximizing profit.

Beauty salon Miledi LLC provides the following services:

1. Hairdressing services;
2. Manicure and pedicure;
3. Cosmetology;
4. Massage and SPA;
5. Depilation;
6. Selling of professional products for hair, face and body care;
7. Makeup services.

The opening hours of the beauty salon are from 9:00 to 20:00, from Monday to Sunday (Beauty Boutique Miledi, 2021).

The salon is located in the city center, heating and air conditioning are provided with the premises. The building is old and renovated. A café next to the salon is a partner of Miledi LLC, and provides the possibility for the beauty salon customers to wait in case of coming too early. There is also a small parking lot near the premises. Photos of the interior of the salon are presented in Appendix P I.

Since the beginning of business operation the beauty salon has been successfully cooperating with the training center "Ivanna Purig Beauty Centre", where the specialists improve their skills annually, as well as with the store of professional hairdressing equipment, cosmetics and perfumery "Beauty Lviv".

The ability of an enterprise to adapt to changes in the external environment is influenced by the organizational and management structure. The organizational structure of an enterprise is a set of links (structural units) and connections between them. A well-planned organizational structure contributes to successful business operation and efficiency of the enterprise. There are several types of organizational structures, depending on the size

and aims of the companies. The organizational structure of the studied beauty salon is linear and is depicted below.

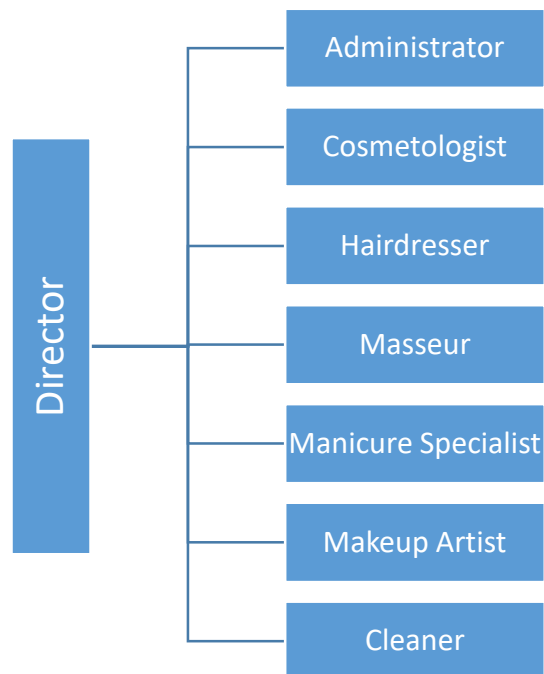


Figure 9. Organizational structure of the beauty salon Miledi LLC.

A linear organizational structure is the simplest hierarchical management structure. The linear structure consists of a Manager (Managing Director) and several subordinate employees.

The main advantages of linear organizational structures are:

- a clear system of mutual relations;
- speed of reaction to direct orders;
- consistency of actions;
- efficiency in decision making;
- clearly expressed personal responsibility of the director.

The main disadvantages of linear organizational structures are:

- a large number of levels between the top management and an employee;
- a large number of top-level managers;
- solving operational problems dominates over strategic ones;
- little flexibility and adaptability to a new situation.

The beauty salon Director belongs to the category of Managers. Director should operate under the law "Consumer Protection Act", other laws; rules and regulations of selling of certain types of goods and other regulatory legal acts on the implementation of trading activities. Moreover, the director must be acquainted with standards and specifications of products, their main properties and quality characteristics, methods of accounting for products, calculating the demand for them, classification, characteristics and purpose of products, warranty periods for the use of products and rules for their exchange.

The Miledi LLC is managed by the Director, he manages activities of a beauty salon. The duties of the beauty salon director include: strategical management of the organization, management of price formation and discounts, the Human Resources Management, including professional development of specialists, bearing full responsibility for the consequences of adopted decisions, safety and effective use of property of a beauty salon, as well as financial and economic results of his activities; prepares and receives documents (permits) necessary for the provision of consumer services to the population; interacts with government agencies during scheduled and unscheduled inspections; concludes contracts for public utilities and other services (electricity supply, heating, water supply, telephone communication, territory cleaning, waste disposal, security, etc.), etc.

There is no accountant in the beauty salon itself, since he is invited only for keeping and submitting tax returns. Miledi LLC uses the services of outsourcing accountant agencies. The accountant conducts all financial activities of the enterprise: calculation of income, accrual and payment taxes, distribution of profits, calculation and payment of wages.

The administrator of a beauty salon is responsible for coordination of day-to-day operation of the beauty salon. The duties of the administrator of the beauty salon include: organizing, planning and coordinating the activities of the salon, aimed at reducing costs and improving the quality of service, personal financial responsibility for the preservation of equipment and cosmetic products. In addition, administrator is responsible for providing other personnel with all the materials necessary for work, along with accepting payment for services from the client. Organization of work of administrator with personnel includes: control for the timely arrival of specialists to work, elaborating the schedule, observance of cleanliness (rubbish, dirty dishes, premises,), etc.

Duties of a hairdresser of a beauty salon: arriving at work 10 minutes before the opening of the salon, perform the cleanness check of the working space, sometimes perform

additional cleaning. Moreover, to the duties of hairdresser belong: sterilizing instruments at the end of the client's service, adhering to ethical standards, advising the client upon matters concerning hair style and current trends, providing other hairdressing service such as hair dyeing, hair treatment, hair styling, etc. The whole list of services is provided in a price list.

Job description of a beauty salon cosmetologist: arriving before the salon opening, performing cleanness check, provide services to the clients of the beauty salon such as: complex ultrasound cleaning, wax depilation, injection cosmetology, face peeling procedures, eyebrow shaping, disinfection of devices after each client, maintaining the workplace clean, etc.

To the responsibilities of a masseur therapist belong: undergoing a consultation with the customer in order to find out the necessary information about the health state of the particular customer (collecting information about injuries, diseases), determine the type and type of massage, use certified massage equipment and prepare it for the beginning of the session, conduct a massage session in accordance with the rules, provide personal recommendations for improvement of the health of the customer if needed.

Duties of the manicure specialist at a selected beauty salon: cleaning of nails on the fingers (manicure) and toes (pedicure), nail design, nail polish, nail shaping, nail treatment, removing calluses, extension fingernails, timely disinfection of the tools.

The responsibilities of the Makeup Artist are: preparing of the working place, serving customers, according to their wishes. Advising on the makeup techniques and products to use in order to highlight the natural beauty of the client as well as maintaining healthy skin.

To the responsibilities of cleaner belong: performing diverse cleaning activities on the premises and outside territory, belonging to the beauty salon, inspection and cleaning of the lavatory facilities, assisting in cleaning process of the working place of other personnel, maintaining empty trash bins, etc.

For the main personnel, a rotating schedule scheme is applied (2 administrators in shifts 3 working days and 2 days off; 4 hairdressers in shifts - 3 working days and 2 days off, a manicure specialist- 3 working days and 2 days off). Cleaner shift is 4 times a week, from 10.00 am until 13.00 pm. Other specialists including Cosmetologist and Masseur are working on appointment. Table 3 shows the personnel of the beauty salon timetable and relevant salary.

Table 3. The personnel of the beauty salon Miledi LLC.

<b>Position</b>	<b>Amount</b>	<b>Maximum Salary, UAH</b>
Hairdresser	3	8 700
Cosmetologist	2	11 900
Masseur	2	12 000
Manicure Specialist	3	10 000
Administrator	2	7 500
Makeup Artist	1	7 600
Cleaning person	1	5 000
Overall	14	

The administrator, makeup artist and the cleaner have a fixed salary, the amount is stated in a table. Salary of other personnel amounts to 40% of the cost of services and is the main salary of the salon employees, the maximum amounts are also stated in the table above. The column Maximum Salary depicts the salary before taxes. The taxes which all citizens are obliged to pay are: Personal Income Tax in Ukraine, it amounts to 18% and War Tax to 1,5%.

To conclude, "Beauty Boutique Miledi" LLC is a small business organization, which operates on the market beauty services in Lviv, Ukraine. The mission is to highlight the hidden beauty of the population via providing high quality services. The company has flat organizational structure, 14 people are employed, including director. There is no employee responsible for marketing in the given company. The functions of conducting marketing activities are assigned to the administrator, and cannot be performed for 100%, due to the lacking competence in the given field. The director takes part in strategic marketing planning, whereas the administrator performs some basic marketing functions, which might be eventually described as maintaining a good image and creating a warm, favorable atmosphere for the client in the salon.

## **2.2 Analysis of internal and external environment**

Marketing for a beauty salon is a system of attracting new customers and establishing strong and mutually beneficial relationship for the future perspective. It is a fact that for the beauty salon the client is crucial. In order to investigate the wishes, wants and needs of the



customers and provide insights on the different aspects affecting sales the marketing research was conducted.

### 2.2.1 Marketing Research

Next step of the analysis of the beauty salon business operation is examination of its potential consumers. Consumer analysis is intended to attract new customers and retain old ones. For this purpose the questionnaire was elaborated. The given questionnaire can be found in the Appendix P II. The questionnaire contained the questions concerning market segmentation criteria like: gender of customers, their age, occupation, income level, the most demanded services and preferences, frequency of visiting of beauty salons. 120 people took part in the survey during 50 days. The results of this survey are presented and analysed below.

The beauty salon is visited both by women and men, although women constitute the majority - 61.5%.

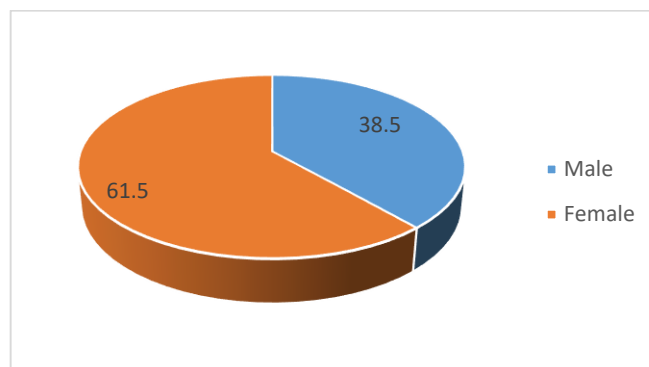


Figure 10. Customer Gender Structure, %

Consumer age ranges from 15 to 45 year old and older. The majority of clients are between 18 and 45 years old. There are two other significant parts of customers of the age 26-45 year old and 15-17 year olds with the share of 29.5% and 26.5%.

Each of the categories might be generally characterised as:

1. The youth (15 - 17 years old). Students and people, who are being acquainted with beauty salons;
2. People, the majority of which have already founded a family (18 - 25 years old). Usually it is people, who want to be served in beauty salons, but, as a rule, are financially limited;
3. Working age people (26 - 45 years). People already with established career, however with limited freedom of financial action. The primary goals include: improving living conditions, providing financial protection for families and education for children. The care of the appearance follows after all the beforementioned goals;

4. Mature working people and seniors (45 year old and above). People in this category are characterised with an increase in income as their financial liabilities decrease. They might afford regular visits to beauty salons. This category of people has accumulated capital and strives to ensure its safety. Although, not many people visit beauty salon, among those, who visit are mostly women.

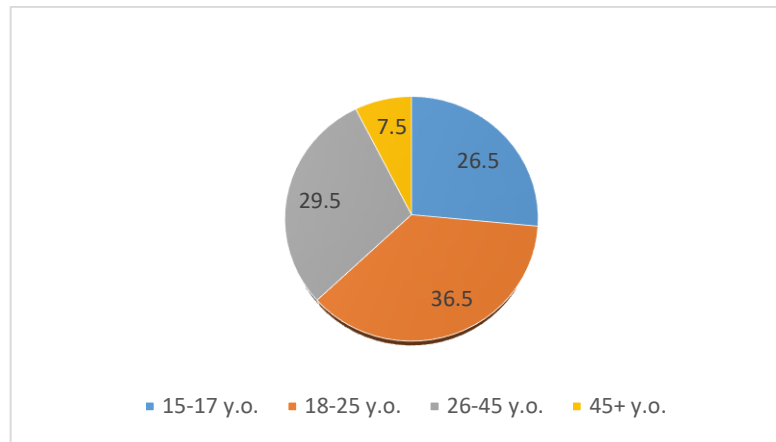


Figure 11. Customer Age Structure, %

In addition, according to the gathered data, 35% of respondents do not use services of beauty salons. The reasons behind this decisions are: 53% of the respondents explain this by a lack of funds (mainly pupils and students), 27% of respondents do not have enough time, 20% take care of themselves at home. The rest 65% of people, who are using services of the beauty salon state that the main reason of visiting beauty salons are such specialists as: hairdresser (chosen by 55% of respondents); manicure / pedicure specialist – 25%; make-up artist – 11%, cosmetologist - 6%; and masseur – 3%.

Moreover, it is important to investigate the frequency of visiting salons: 5% chose option of visiting salon once per week, 10% of respondents opted for 2 times a month and 80% chose the option - once a month, whereas 5% chose once in more that month.

One of the questions in the questionnaire is about visiting the beauty salon in case it is situated in a remote location. The results were as follows: 35% of respondents agreed to visit a remote beauty salon, whereas 65% prefer salons located nearby.

The beauty salon is primarily visited by the employed - 54%, the share of students constitutes 22% and seniors – 15.5% respectively. The minority is represented by pupils. The probable reason of the given distribution might be the income level of each of the group.

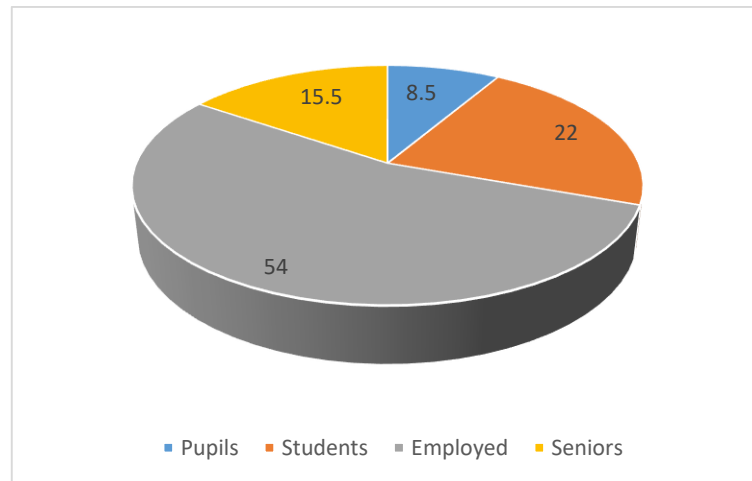


Figure 12. Customers' Occupation, %

A greater number of respondents have the income of 10,000 UAH or more. 34.5% of people stated the income between 8,000 and 10,000 UAH, income from 6,000 to 8,000 UAH have 25.5%. Income from 4,723 up to 6,000 UAH have only 2% of the respondents.

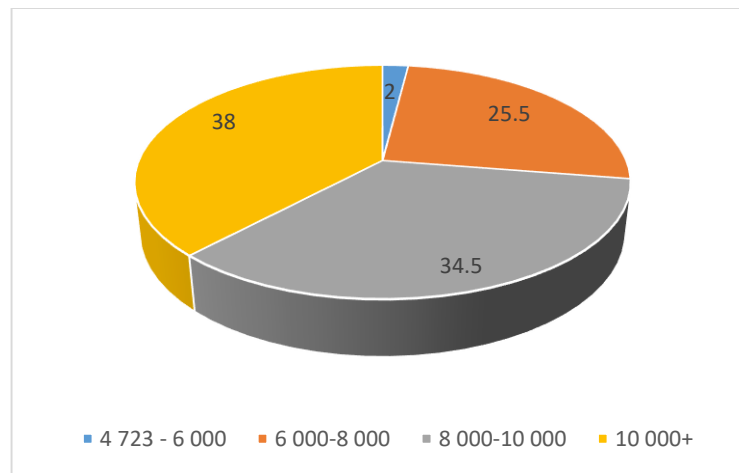


Figure 13. Customers Income Level, UAH

Figure 14 shows the structure of the most popular services among clients of a beauty salon. According to the questionnaire the most demanded services are manicure, pedicure, nail extension - 24.5%. Haircut is also in great demand - 19.5%, hair coloring - 13%, facial procedures, peeling - 12%, massage - 10.5%, wax depilation – 9%, eyebrow shaping - 7.5%, evening hairstyle - 4%.

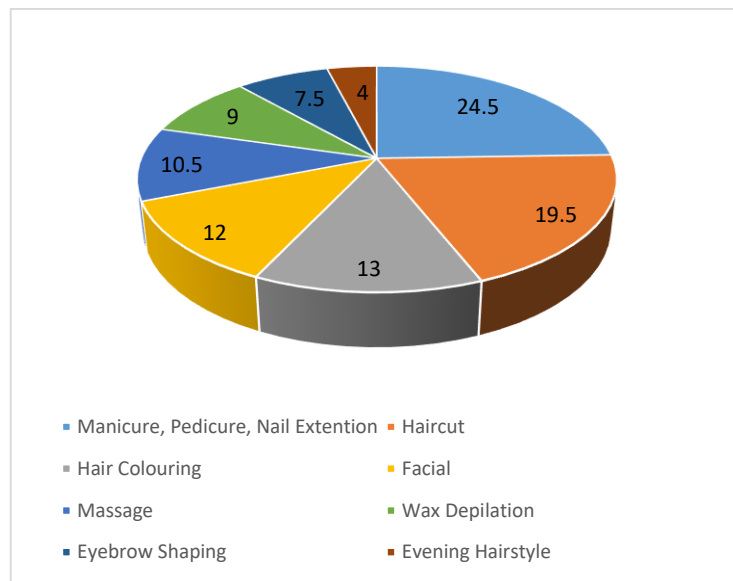


Figure 14. Most Demanded Services Structure, %

Summarizing all of the abovementioned information, it is discovered, as expected, that the major part of beauty salons visitors are women, employed, people in the age from 18 to 25 years. However, 35% of surveyed stated that they are not visiting such establishments at all, mostly reasoning by the lack of costs. From those people, who visit such establishments 80% attend beauty salons once a month. The most demanded services are nail and hair services.

### 2.2.2 Analysis of financial performance of the company

The examination of financial results of the company was performed in order to estimate the economic situation in the enterprise, its stability and profitability. The results of the analysis are provided in the table below.

Table 4. Analysis of the financial results of Miledi LLC in 2020.

Parameter	Q2 2020		Q3 2020		Q4 2020	
	UAH	%	UAH	%	UAH	%
Profit from sales products, goods, works, services	1 155 000	100	1 322 700	100	1 405 000	100
Net cost of product sales, goods, works, services	733 425	63,5	888 855	67,2	887 960	63,2
Gross profit	421 575	36,5	433 845	32,8	517 040	36,8
Business Expenses	8 090	0,7	10 581	0,79	11 240	0,8
Management Expenses	10 395	0,9	13 227	1	19 670	1,4
Other income	79 695	6,9	41 003	3,1	40 745	2,9
Other cost	53 130	4,6	29 100	2,2	29 505	2,1
Flat Tax	57 750	5	66 135	5	70 250	5

Parameter	Q2 2020		Q3 2020		Q4 2020	
	UAH	%	UAH	%	UAH	%
Net profit (loss) for the period	371 900	32,2	355 805	26,9	427 120	30,4

The profit from the sales and services of Miledi LLC in Q3 2020 increased by 167 700 UAH, compared to Q2 2020 and amounted to 1 322 700 UAH. This is the result of the increase in the volume of work. Despite the increase in Net Cost in Q3 2020 by 155 430 UAH, in comparison with Q2 2020, the Gross Profit of the company increased by 12 270 UAH. On the contrary, for the same period Net Profit showed a decline by 16 095 UAH. There was an increase in Profit for Q4 2020 by 82 300 UAH, compared to Q3 2020, while Net Costs decreased a little, by 895 UAH. For the same period Gross Profit increased by 83 195 UAH, compared to previous period and Net profit also increased by 71 315 UAH. Other costs show generally a decline, although during Q4 2020 they amounted to 29 505 UAH, which is by 405 UAH more, than during previous period.

To assess the financial and economic activities of an enterprise, its profitability, a of profitability indicator is determined (table 5). In order to compute profit margin the following formula was used:

Table 5. Dynamics of profitability indicator of Miledi LLC in the period Q2 2020 –Q4 2020.

Indicator	Period			Change	
	Q2 2020	Q3 2020	Q4 2020	Q3 2020 to Q2 2020	Q4 2020 to Q3 2020
Profit margin	32,2	26,9	30,4	-5,3	3,5

The decrease in profitability indicator outlines a slight decline in the activity of the beauty salon, which might be associated with the consequences of pandemic situation in Ukraine, while for the next period the activity slightly increased .

### 2.2.3 SWOT of the beauty salon

This analysis is a strategic method for analyzing the development of the company as a whole. In this thesis, the main tasks of this SWOT are: to determine the strengths and weaknesses of the salon, as well as threats and opportunities. Moreover, elaborate a set of measures to reinforce the strengths and mitigate threats. SWOT analysis of the beauty salon Miledi LLC is presented in table 6.

Table 6. SWOT analysis of Miledi LLC

Strengths	Weaknesses
<ol style="list-style-type: none"> <li>1. Stable position in the market</li> <li>2. Reasonable pricing policy</li> <li>3. High quality service</li> <li>4. Good reputation</li> <li>5. Availability of modern equipment</li> <li>6. Location in the city center</li> <li>7. Individual approach to each customer</li> <li>8. Programs of motivation for the personnel</li> <li>9. Profitability</li> </ol>	<ol style="list-style-type: none"> <li>1. Low efficiency of marketing activities to stimulate sales</li> <li>2. Ineffective marketing strategy</li> <li>3. High advertising costs</li> <li>4. Low level of organizational culture</li> <li>5. Lack of parking space</li> <li>6. High net costs</li> <li>7. Introduction of the new services</li> <li>8. Not collecting feedback from customers</li> <li>9. Range of services</li> </ol>
Opportunities	Threats
<ol style="list-style-type: none"> <li>1. An increase in the purchasing power of consumers</li> <li>2. The emergence of young, qualified personnel.</li> <li>3. Increase in market share</li> <li>4. Changes in consumer needs in the field of hairdressing and beauty service</li> <li>5. Continuous improvement of personnel qualifications</li> <li>6. Development of information and communication technologic</li> <li>7. Extension of the range of services, thus attracting more customers</li> <li>8. Development of an marketing strategy for products and service</li> <li>9. Increase in the level of service</li> <li>10. Propose the services at home of the consumer</li> </ol>	<ol style="list-style-type: none"> <li>1. Reduced the pricing policy of competitors.</li> <li>2. Opening of new competitors' salons.</li> <li>3. Loss of clientele or its transfer to competitors.</li> <li>4. Slowdown in growth and decline in the income of the population.</li> <li>5. Inflation.</li> <li>6. Increased unemployment rate in the country.</li> <li>7. Tax increase.</li> <li>8. Post-Covid crisis</li> <li>9. Changes in preferences of customers</li> <li>10. Dependence on the suppliers</li> </ol>

According to the analysis of the data in the table the following threats, opportunities, strengths and weaknesses are identified: the main threat to Miledi LLC is stiff competition in the market and post-covid crisis and dependence on the suppliers, changing demand. The main opportunity is the changes in consumer needs in the field of hairdressing and beauty services, development of efficient marketing strategy, extending the market share by adapting to new demand, moreover – continuous improvement of the personnel qualifications.

The main strengths are the well-formed reputation of the beauty salon, stable position on the market, availability of modern equipment. The main weaknesses are the low efficiency of marketing activities and high net costs, range of services.

Based on the SWOT analysis of Miledi LLC, the following main problems can be identified: development and implementation of new types of services; further improvement of the quality of services and products with the aim of updating the range and further differentiation. Miledi LLC needs to improve its policy of promoting goods on the market.

The following step is planning possible measures to strengthen the weaknesses of the salon with the reinforcing of the existing strengths. Data for convenience and clarity are listed in table.

Table 7. Measures for strengthening of the position of Miledi LLC.

Area	Strengths	Weaknesses	Possible solution
Marketing	<ol style="list-style-type: none"> <li>1. Good Reputation</li> <li>2. Stable position in the market</li> <li>3. Location in the city center</li> <li>4. Individual approach to each customer</li> </ol>	<ol style="list-style-type: none"> <li>1. Low efficiency of marketing activities</li> <li>2. High advertising costs</li> <li>3. Introduction of the new services</li> </ol>	<ol style="list-style-type: none"> <li>1. Involvement for cooperation of qualified marketing professionals</li> <li>2. Elaboration of marketing budget</li> <li>3. Targeting of new segments on the market</li> <li>4. Marketing planning, using new methods of advertising</li> </ol>
Financial indicators	<ol style="list-style-type: none"> <li>1. Profitability</li> </ol>	<ol style="list-style-type: none"> <li>1. High net costs</li> </ol>	<ol style="list-style-type: none"> <li>1. Attracting new customers</li> <li>2. Negotiation with the suppliers about the price level</li> <li>3. Cost benefit analysis</li> </ol>

As can be seen from the analysis, the Miledi LLC has enough strengths to reinforce lagging factors. Improvement in these areas will not only attract new potential customers, but also increase the profitability of the salon.

Following step in SWOT method is analysis of threats, opportunities and risks for the beauty salon. This is necessary to enhance weaknesses, and addressing the threats by applying proposed measures. All data are presented in table 8.

Table 8. Threats and Opportunities with Measures to address/enhance them.

Threats	Measures for addressing the threats	Opportunities	Measures for enhancing the opportunities
<ol style="list-style-type: none"> <li>1. Dependence on suppliers material and intermediaries</li> <li>2. Constantly growing competition</li> <li>3. Difficult economic situation</li> <li>4. Changing customer needs for services</li> </ol>	<ol style="list-style-type: none"> <li>1. Establishing strong, reliable, mutually beneficial relationships with suppliers</li> <li>2. Constant monitoring of the competitive environment, flexible response to changing conditions of competitiveness</li> <li>3. Creation of favorable conditions for long-term use of salon services</li> <li>4. Tracking new directions appearing on the market, and timely training of personnel</li> </ol>	<ol style="list-style-type: none"> <li>1. Continuous improvement of the level of specialists employed</li> <li>2. Expansion of the range of services offered</li> <li>3. Providing an even higher level of service</li> <li>4. Establishing long-term customer relationships to retain customer retention</li> <li>5. Introduction to new market segments</li> </ol>	<ol style="list-style-type: none"> <li>1. Attending courses, seminars, webinars, trainings.</li> <li>2. Detailed study of the demand for salon services beauty</li> <li>3. For a more adequate understanding the situation a needs to involve qualified specialists for analysis exists</li> <li>4. Creation of incentive programs</li> <li>5. Development of new directions in service for convenience of the customers</li> </ol>

Based on the results of the SWOT analysis, it can be concluded that Miledi LLC possesses sufficient forces to enhance opportunities and overcome threats and lagging factors.

**2.2.4 PESTEL Analysis**

In order to discover what external factors and to which extend might have an impact on the company while its business operation PESTEL analysis was used. PESTEL is focused on macroeconomic factors. It investigates political, economic, social, technological, ecological and legal factors affecting the business.

The methodology of the analysis was as follows: For each factor there was a measure to which extend the change of the factor might affect revenues using points from 1 to 3, where 1 is slight change, 2 is sufficient and 3 is major one. The assessment column was



created taking into consideration the probability of the factor variation in Ukraine according to several sources (interview with the owner and administrator of the beauty salon). Then the average was counted and weight adjusted average.

Table 9. PESTEL analysis

Description of the factor	Influence of the factor	Assessment		Average	Weight adjusted average
<i>Political factors</i>					
Bureaucratization and increasing level of corruption	3	3	4	3.5	0.31
Government Policies	3	3	2	2.5	0.22
Competition regulation	2	2	1	1.5	0.09
<i>Economic factors</i>					
Inflation rate	2	1	1	1.0	0.06
Refinancing Rate	3	3	4	3.5	0.31
Minimum Wage Change	3	1	2	1.5	0.13
<i>Social factors</i>					
Attitudes towards product/service quality	1	3	3	3.0	0.09
Unemployment rate	3	5	4	4.5	0.40
Customer's preferences	3	2	3	2.5	0.22
<i>Technological factors</i>					
The level of innovation and technological development of the industry	2	3	1	2.0	0.12
Modernisation of Marketing Technologies	3	4	5	4.5	0.40
Automation	2	3	4	3.5	0.21
<i>Environmental factors</i>					
Attitude towards natural and environmentally friendly products	1	2	2	2.0	0.06
Recycling standards	2	3	3	3.0	0.18
Ecological Regulations	1	3	2	2.5	0.07
<i>Legal factors</i>					
Consumer protection laws	1	2	4	2.0	0.06
Antitrust laws	2	2	2	2.0	0.12

The factors are categorized by their importance and are presented in the table below.

Table 10. Importance of PESTLE factors

<i>Political factors</i>	Weight	<i>Economic factors</i>	Weight
Bureaucratization and increasing level of corruption	0.31	Refinancing Rate	0.31
Government Policies	0.22	Minimum Wage Change	0.13
Competition regulation	0.09	Inflation rate	0.06
<i>Social factors</i>		<i>Technological factors</i>	
Unemployment rate	0.40	Modernisation of Marketing Technologies	0.40
Customer's preferences	0.22	Automation	0.21
Attitudes towards product quality	0.06	The level of innovation and technological development of the industry	0.12

<i>Environmental factors</i>	<b>Weight</b>	<i>Legal factors</i>	<b>Weight</b>
Recycling standards	0.18		
Ecological Regulations	0.07	Antitrust laws	0.12
Attitude towards natural and environmentally friendly products	0.06	Consumer protection laws	0.06

For the company it is important to develop a plan and a strategy on how to manage and minimize the negative effects of these factors and maximise the positive. The strategy this is provided below.

Table 11. Strategical Response on PESTLE Factors.

<b>Political</b>	<b>Impact on industry</b>	<b>Impact on company</b>	<b>Measures to take</b>
Bureaucratization and increasing level of corruption	Distortions of political decisions due to corruption are likely to cause the clearest economic damage. They result in budget allocations, sector regulation and trade barriers, contrary to the public interest, and eventually losses of revenue	Business deals might have hidden price, not fair competition, the partnerships may be chosen for expediency rather than quality. No fair trial, cheating	Develop Compliance measures and programs, set up an internal alert system to allow the collection of reports, create a risk map, Conduct due diligence on all third parties
Government Policies	Effect on the volume of services produced, the investment attraction of the industry change	Decrease of revenue, decrease of customers, higher price level, in case of increased investment attractiveness – more funds for development	Diversify the portfolio of the company, High the price of the product, Stay alert about the changes in law and regulations
<b>Political</b>	<b>Impact on industry</b>	<b>Impact on company</b>	<b>Measures to take</b>
Competition regulation	Establishing a business culture which maintains competition, no company has dominant market position, the market is dynamic and valuable	Transparent and fair competition, therefore fair pricing policy and growth	Comply with competition laws, identify competition law risks, elaborate Guidance on what might be anti-competitive information exchanges with competitors, etc.

<b>Economic</b>	<b>Impact on industry</b>	<b>Impact on company</b>	<b>Measures to take</b>
Refinancing Rate	The change in consumer's savings, therefore change in their spending, including the industry. Also, change in funds available for expansion or contraction of the industry	Reducing/increasing profit margin, fluctuating price of goods, volume of production, expansion or contraction of business operation	Low interest rates – taking new loans and expanding, in case of high – resist on arrangement of new loans. Secure cash flows of the company and review the business planning
Inflation rate	Industry-wide price rises enable revenues to grow, debt as a source of finance cheaper in real terms, Rising inflation is associated with higher interest rates - this reduces economic growth and can lead to a recession	If costs are rising due to inflation, a company may not be able to pass them onto customers (PED), disrupt business planning and lead to lower investment, Growing revenues + constant gross margin = higher gross profit	Adjust pricing, Improve cash flow, Optimize productivity, Search of ways the technology can reduce costs
Minimum Wage Change	Employers hiring fewer employees with minimum wage, thus competition on labor market increases, providing better-skilled workers	Allocation of resources in favor of wages, causing the the increase in costs. Motivation for employees to work better, therefore, improving quality of services provided	Adjust pricing, Transfer of the costs on customers, in some cases downsizing, while active stimulation of demand
<b>Social</b>	<b>Impact on industry</b>	<b>Impact on company</b>	<b>Measures to take</b>
Unemployment Rate	Decrease in the output of the whole industry, slower development, decrease in demand	Less customers, Lower sales, lower price level, lower profitability	Revisit business strategy, consider opportunities of diversification of the services, providing unemployment insurance

<b>Social</b>	<b>Impact on industry</b>	<b>Impact on company</b>	<b>Measures to take</b>
Customer's preferences	Adjusting to the customer's preferences and needs, investing in research of consumer behaviour, new original ideas	Stimulation of product/service development, customer service, higher demand for certain services	Adapting to new preferences, improvement of the marketing strategies in order to win more permanent customers, conducting research of consumers
Attitudes towards product quality	Setting new standards for the industry as a whole	A reputation of the brand would be a decisive factor for consumer's choice	Improvement of the service and product quality by identifying needs and preferences of customers, Improving the brand image
<b>Technological</b>	<b>Impact on industry</b>	<b>Impact on company</b>	<b>Measures to take</b>
Automation	Low costs of production, problem of unemployment and inequality, corporate profit	Shorter delivery, more efficient use of stock, Economies of scale, reducing number of workers, economies of scope	Dedicate time to training of the employees, improve data infrastructure, Establish a culture of automation
Modernisation of Marketing Technologies	Reducing production costs, increased efficiency of the businesses	Better communication with client, attracting new consumers new approaches to marketing, improved efficiency, cost reduction	Revisit business strategy, consider opportunities
The level of innovation and technological development of the industry	Increased competitiveness, new partnerships and relationships, introduction of new methods and techniques of certain services	Reducing costs and waste, boosts market position, improves sales	Embrace, encourage the innovation, research, encourage qualifications of personnel
<b>Environmental</b>	<b>Impact on industry</b>	<b>Impact on company</b>	<b>Measures to take</b>
Recycling standards	Saving resources, energy, reduced incineration and protection of the environment	Improves green credentials, complying with waste regulations	Retraining staff in new systems and programmes, waste management equipment

Environmental	Impact on industry	Impact on company	Measures to take
Ecological Regulations	Affecting human health in general, therefore affecting labor. Increased production costs, problem of utilisation of used products	Switching to eco alternatives, increase in the health level of personnel, increases the productivity, need of adopting changes	Comply with regulations, process changes or materials substitution, use marketing tools in order to communicate the changes adopted
Attitude towards natural and eco products	Affects consumer behavior, supply chain	Lower demand, need of finding alternative materials and utilizing methods	Sustainable development and complying with the environmental regulations
Legal	Impact on industry	Impact on company	Measures to take
Antitrust laws	Ensuring a fair competition, easy market entry and exit	Preventing from gaining too much power and some business activities, including market allocation, bid rigging, price fixing	Operate in accordance to the laws, keep sensitive information, have a competent supervisor from outside
Consumer protection laws	Stimulates quality of the products, provides information to the customer, post purchase service, protects the customer	Liability of the harm caused by the products and services, transparent commercial practice	Avoid engaging in a prohibited commercial practice, unfair terms in standard contracts, comply with obligations

Economic and political factors have mostly a negative impact, whereas the positive impact on the company has technological component. In case the company distributes forces efficiently and adheres to the recommendations, this analysis would help to minimize threats and maximize the benefit of opportunities.

### 2.2.5 Porter's five forces analysis

For analysis of microeconomic environment and competitiveness of the industry Porter's model of five forces is used. Competitive analysis of the industry determines the severity and intensity of competitive forces in the industry, helps to find a position in which the company will be maximally protected from the influence of competitive forces and, in its turn, influence them. The weaker the influence of competitive forces, the more opportunities company has to generate high profits in the industry. On the contrary, the greater the influence of competitive forces, the greater the probability that no company will

generate high return on investment. Moreover, the industry's average profitability is determined by the most powerful competitive forces. The model of competitive forces is presented in figure 15.

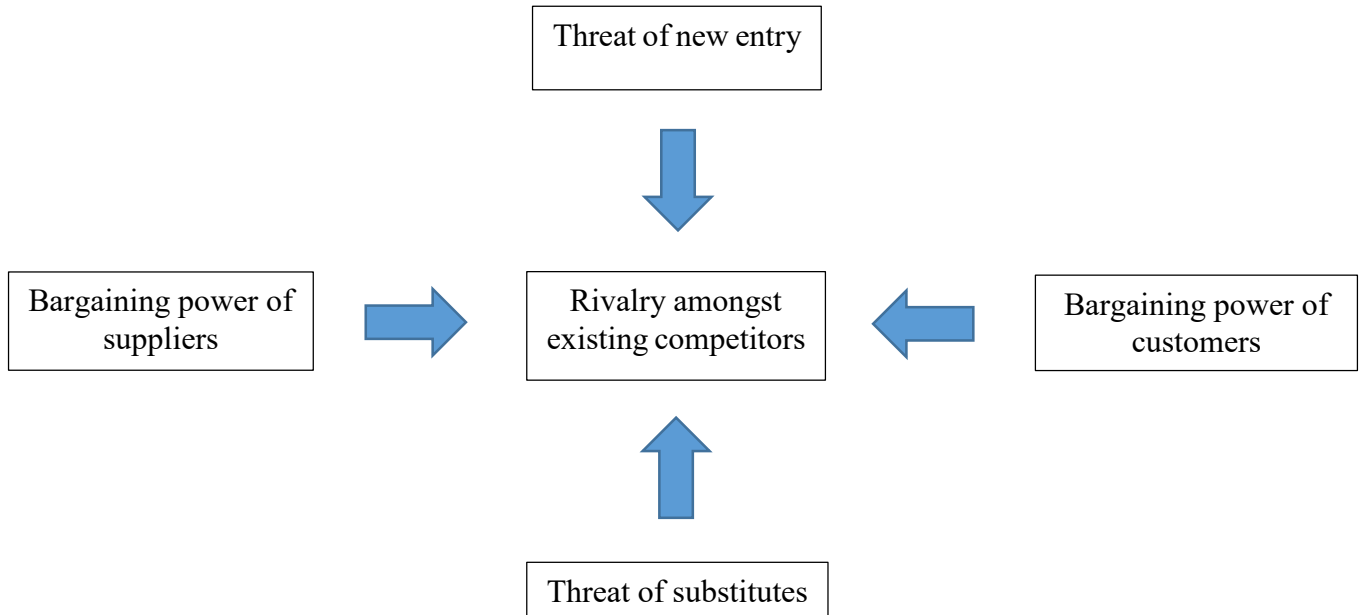


Figure 15. Porter’s Five Forces Model. Source: Porter, 1998

Next, the factors determining abovementioned five forces are identified and key success factors in the industry are stated.

Table 12. Porter’s five forces analysis.

Type of threats	Level of threat	Description	Key success factors
Substitutes	Low	1. Customers substitute salon beauty procedures by home beauty procedures, as it is less expensive, than visiting a salon.	1. Continuous improvement of the quality of service, welcoming personnel 2. Enhancement of the employee’s qualifications and learning, obtaining relevant degree, passing courses;
Competitive rivalry	High	1. Diversity of competition: In Lviv there are numerous beauty salons; 2. Price level and costs of the company. The price level depends on a costs of operating. Thus, there is stiffer competitions between salons with their own premises, not rented. Owning the place means lower costs, which in turn allows to establish lower price. Such beauty	3. Comfortable, round-a-clock working hours; 4. Exclusive services; 5. Modern equipment and technology of services;

		<p>salons offer wider range of services and have more clients;</p> <ol style="list-style-type: none"> <li>Safety of the service (Adhering to sanitary and hygienic norms). This is one of components of the quality of service, thus, it is an indicator of the professionalism of the employee. The professionalism of employees is crucial in satisfying client's wants and needs, affecting client's satisfaction;</li> <li>Range of proposed services. Customers are attracted by the possibility to diversify their experience of visiting the salon.</li> </ol>	<ol style="list-style-type: none"> <li>Possibility of providing few services at once (manicure + pedicure);</li> <li>In order to maintain the competitiveness of the beauty salon, it should monitor new offers from competition and the appearing of new companies.</li> <li>Establish long-term relationships with the customer.</li> <li>Focus on decreasing and eliminating the flaws of the service.</li> </ol>
New entry	Medium	<ol style="list-style-type: none"> <li>Loyalty of customers;</li> <li>Contracts of other beauty salons with famous brands, implying exclusive cooperation;</li> <li>Costs associated with acquiring of new clients;</li> <li>High entry barrier imposed by high seed capital;</li> <li>High entry barrier imposed by authorities (necessary license, Consumer Rights Committee, Fire Service);</li> <li>New companies appear frequently, despite of the absence of low barriers.</li> </ol>	
Bargaining power of buyers	High	<ol style="list-style-type: none"> <li>Customer's sensitivity to price and specifics of service market;</li> <li>Large amount of beauty salons and private beauty specialists, therefore no deficit for customer's choice;</li> <li>Well-known professional competence might attract customers with expertise in the field.</li> <li>For customers, attached to the specialist in salon it is more complicated to change the salon.</li> </ol>	
Bargaining power of suppliers	Medium	<ol style="list-style-type: none"> <li>In the industry there are a lot of suppliers of the similar products;</li> <li>Despite numerous suppliers, not always the needed products are available;</li> <li>When buying the products from one supplier, the warranty for the product is provided, therefore it is complicated to switch to another one;</li> </ol>	

The greatest threat pose bargaining power of buyers and competitive rivalry. Factors of new entry and bargaining power of suppliers have medium impact, while threat of substitutes is low.

### 2.2.6 Competition analysis

Since the salon Miledi belongs to the middle segment, the main competitors should be chosen from salons nearby and which provide a similar range of services. Therefore, three competitors were chosen:

- Beauty Studio DIAS;
- Beauty salon Lel'
- Beauty salon Letual

The data for the analysis were obtained from open sources - the official pages of the salons on the Internet (official web pages, including social networks), as well as reviews about salons (for example, reviews on Instagram, Google Maps, on a social network Facebook, etc.). The assessment of competition is done by ranking all the parameters for each competitor on a scale from 1 to 5 points, where 5 points means "excellent", and one point means "unsatisfactory". If a score of 1 point is given for any parameter, it means that this particular parameter is the weakness of the enterprise, and, on the contrary, in the case of a score of 5, the enterprise is the leader in this parameter. The assessment of the competitiveness of Miledi LLC and its potential competitors is presented in table 13.

From the point of view of the rivalry performance on the market and retaining of the strong positions on it, the following main factors can be identified for analysis: quality of service, range of services, quality of goods (hair coloring products, cosmetic treatment products, oils, cosmetics, etc.), price, mode of operation, responsibility to consumers.



Table 13. Assessment of Competitors

Parameter	“Beauty Boutique Miledi” LLC	Beauty salon-studio DIAS	Beauty salon Lel’	Beauty salon Letual
Quality of products	5	4	4	4
Level of Service	4	3	4	5
Range of service	3	4	4	5
Uniqueness	3	3	3	2
Brand Awareness	3	5	4	4
Working hours	3	3	4	5
Price	4	4	2	2
Responsibility to customers	5	4	4	4
<b>Average</b>	<b>3,75</b>	<b>3,75</b>	<b>3,62</b>	<b>3,87</b>

Scale of assesment: 1 – very weak; 2 – weak ; 3 - neutral; 4 - good; 5 - excellent.

In terms of the quality of goods, the quality of goods of Miledi LLC is excellent (5 points) and slightly exceeds beauty salons DIAS, Lel’ and Letual (4 points each). On the indicator "level of service", Miledi LLC surpasses DIAS, is on the same level as Lel’ and is exceeded by Letual. To the quality of service belongs shorter waiting time of customers in in line, what directly affects the customer’s satisfaction. The range of services provided by Miledi is less diverse than in other beauty salons. In Miledi the assortment is updated, and new items are added, nonetheless the competitors surpass Miledi in this regard, as they offer more diverse services and products. The company Letual is well-known in the market and surpasses in popularity Miledi, DIAS and Lel’. In fact, Miledi LLC is the least popular from the analyzed salons. In terms of operating mode, Letual is superior to all of other competitors, as it works until the last client (when ordering a massage and haircut / coloring for the evening, the specialist might stay until 22:00). Miledi LLC with DIAS are one of the lagged compared to others. Miledi prices correspond to the quality of services, an individual approach to pricing. Miledi is with DIAS on the same level. In Lel’ and Letual are higher prices, the pricing policy is not flexible enough due to an ineffective structure. Thus, it can be seen from the competitors' profiles that Miledi LLC is superior to Lel’, is on the same level with DIAS and is surpassed by Letual in terms of level and range of service, brand awareness and working hours.

In conclusion, the analysis of the external environment has shown that the greatest adverse impact is largely posed by economic and political factors. The positive impact on the company is provided by the modernization of marketing technologies. If the company correctly distributes forces and adheres to measures proposed, the analysis would be beneficial in mitigation of threats and maximizing the returns. Based on the results of the SWOT analysis, it can be concluded that Miledi LLC possesses sufficient forces to enhance opportunities and overcome threats and lagging factors. The services of beauty salons are in constant demand, despite the high competition. From the competitors' profiles it can be seen that Miledi LLC holds a good position, when it comes to product quality, price and responsibility to consumers.

### **2.3 Analysis of Marketing Activity of the Beauty Salon**

The functional segment of sales plays a significant part in beauty salon operation. The problems in the selected strategy, management, organizational structure of the company are discovered during sales and delivery of the product or service. In essence, selling belongs to numerous functions of marketing. Due to the above mentioned fact, the advertisement of Miledi LLC is supplemented measures to stimulate sales.

The strategy of marketing activities of Miledi LLC is aimed at increasing existing segments and targeting new ones. Thus, the need of constant stimulation of demand arises. For the given company, the stimulation of demand includes special offers and discounts. The description of discount cards and Loyalty System is provided below.

- **Cumulative Discount Scheme.** The bonuses and the discount percentage accumulated by the consumer depend on the total amount of the purchases during the entire validity period of the card. The customer's bonus is not reduced and does not depend on how long and how often the client has been served. Discount: 1-5% (0 - 100 points); 5-7% (101-200 points); 7-10% (200 - 350 points); 10-13% (351-500 points). When the customer accumulates the maximum the number of bonuses that are determined by the scale, bonus points are no longer being accrued and the amount of the discount becomes constant.
- **Permanent 15% discount scheme.** The customer is provided with a permanent unchanging discount. The discount percentage is written on the card and does not change under any circumstances until the card expires. This percentage of the discount will be

counted for the client during any service and does not depend on the price of the service; The card is provided to regular customer in exchange for cumulative discount card.

The company does not have a marketing department, so the duties are assigned to the director and administrator. The marketing activities of the beauty salon include planning the range of services and products; pricing policy - determining the price the consumer will have to pay in order to receive the service; services range; advertising - an impersonal form of communication with consumers through the media, including radio, newspapers, magazines, mail, the Internet, vehicles and billboards; marketing research - the systematic collection and analysis of data for making marketing decisions.

The director analyzes the advertising market; conducts a marketing research, both on its own and with the help of other organizations (outsourcing) once in a while. To the responsibilities of director also belongs the development a strategy aimed at creating a positive image, both internal and external. The administrator of salon monitors the activities of competitors and their image, formed in the market.

The selected beauty salon utilizes three main types of Marketing: Digital and Print Marketing, Promotions and Outdoor Media. The budget for these activities is illustrated in the table below.

Table 14. The budget of the marketing activities in the Miledi LLC, UAH.

Type of Marketing	Period			
	Q2 2020	Q3 2020	Q4 2020	Q1 2021
Digital and Print Marketing	20 500	9 650	17 808	25 540
Promotions	12 600	17 405	16 300	22 800
Outdoor Media	5 800	10 720	10 000	15 000
<b>Sum</b>	<b>38 900</b>	<b>37 775</b>	<b>44 108</b>	<b>63 340</b>

The budget for advertising in Print and Digital Media in Q2 2020 amounted to 20 500 UAH. 12 600 UAH were spent on marketing campaigns, Outdoor advertising costs amounted to 5 800 UAH. During Q3 2020 and Q4 2020 there was a decrease in spending for Digital and Print Marketing, while in Promotions and Outdoor Media the expenses increased. In Q1 2021 the expenses for all types of marketing increased.

In Digital and Print Marketing company uses SMM Marketing, mostly in Instagram, which is managed by the administrator. Also, Miledi LLC utilizes printed local magazines

along with leaflet distribution in order to communicate with the audience. Miledi LLC holds various promotions and competitions with prizes. The prizes include accessories, discounts on cosmetics for hair and skin care, and souvenirs. These events take place on the territory of the enterprise and in company's social media. From Monday to Friday from 10:00 to 12:00, visitors of the beauty salon are provided with a haircut and dyeing service at reduced prices. This offer is for retirees, students and young mothers.

All of abovementioned information, to some extent, increases the attractiveness and loyalty of customers along with other factors, chosen by the customers according to the survey. The results are depicted below (Figure 16).

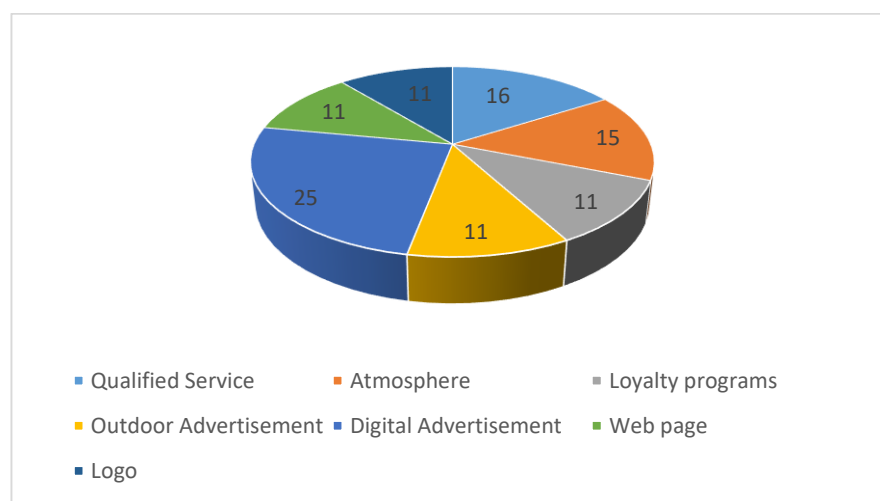


Figure 16. Components of the success of a beauty salon, %

Digital advertisement along with the qualified service and atmosphere affect the loyalty of customers and attractiveness of Miledi LLC to the extent of 25%, 16% and 15% respectively. Thus, these indicators are the main ones to pay attention to, when enhancing the demand and brand awareness. Factors like outdoor advertisement, logo, loyalty programs and web page contribute to the attractiveness and loyalty to the company as much as 11%.

Thus, the promotion of products and services on the market is most effective when combined with advertising. According to the analysis, an explicit correlation is noticed between advertising and sales promotion. At this time the company performs intensive advertising, supporting it with the stimulation of sales at a reduced price. Also, the company does not utilize branding strategies, which is an integral part of the communication process of the company. The budget of marketing and incentive activities are not elaborated effectively, there is no calendar plan. A marketing budget is advised to be developed every year. At the same time, during the year, the company should adhere to the given budget and in case of failure of adherence adopt measures and mitigate the risks.

Another important concept in marketing is marketing mix, classically consisting from 4Ps: Product, Price, Place and Promotion. Sometimes also fifth P is added – People. The concept of marketing mix is based on consumer's needs. This tool assists in creation of efficient buyer-seller relationship and also analysis of the given concept contributes to the improvement of market transactions. For this reason it is crucial to analyse current marketing mix of Miledi LLC and detect the possibilities of improvement, proposed in third part of this thesis.

Table 15. Current Marketing Mix of Miledi LLC.

<b>Product elements</b>	Nail service: - Basic polish; - "Dry" manicure - Shellac; - Gel; - Design - Extension of nails with acryl - Gel nail extension - Pedicure, treatment of feet	Hairdressing services: - Haircut - Hair coloring - Chemical wave L`oreal - Hair Styling - Evening, wedding hairstyle - Keratin hair straightening - SPA care - Hair resurfacing - Hair extension	Aesthetic services: - Eyelash extension - Make up - Correction and coloring of eyebrows - Wax depilation - Sugaring; - Massage; Cosmetology: Injections, Facial procedures.	The service is provided on a moderate level and is consumer-oriented. In Miledi LLC only certified products are used. The products correspond to the legal regulations.
<b>Price and other user outlays</b>	The price level corresponds to the quality of services. The price is consistent with the price of competition. Discounts in order to stimulate the demand and loyalty programs for current customers.			
<b>Place and time</b>	The Beauty Salon is situated in the city center near several stops of public transport, which makes the place easily accessible. On the other hand, in front of salon is also a possibility to park a car. A benefit for customers is that visitors can receive all the necessary services in one place. In addition, the customer might buy cosmetic products in the salon itself.			
<b>Promotion and Education</b>	Mostly sales promotion activities, loyalty programs, leaflets			
<b>People</b>	All salon specialists have certificates, are qualified and experienced in their respective fields. They regularly attend master classes and seminars. Each month employees are motivated by the management in form of discounts for offered cosmetic products. The suppliers are responsible and provide high quality of products, sold in the salon. All operations are documented and relationship between employees, director and suppliers are secured by signed contracts from each party.			

To conclude, limited liability company Beauty Boutique Miledi has been operating on the market since May 2020. The organizational and legal form of the enterprise is a limited liability company. Beauty salon targets residents of Lviv, Ukraine, customers, who

not only want to improve their appearance, but also who want to relax after a hard working day.

The beauty salon operation is aimed to assist people in discovering their natural beauty. In fast-moving world people often are inattentive to themselves and do not notice the beauty. The mission of the Beauty Boutique Miledi is discover the existing beauty potential and reveal the true image to the client. The goal of the company is the development of the enterprise on the basis of ensuring its secure financial profit through the implementation of effective activities leading to maximum profit.

Beauty salon Miledi LLC offers the following services:

- hairdressing services;
- manicure and pedicure;
- cosmetology;
- massage;
- sale of professional products for hair, face and body care;
- services of a make-up artist.

The ability of an enterprise to adapt to changes in the external environment is influenced by the organization structure and how the management structure is established. The simplest structure that meets all the requirements of a trading enterprise is a linear organizational structure, thus, the beauty salon Miledi utilizes this type for the quick coordination, efficient communication along with control and supervision with the small amount of employees. Further, the analysis of consumers of beauty services was conducted. The questionnaire was used for this purpose. It was distributed in the salon premises in addition to its social networks. As the result of the analysis it was discovered that the main share of clients of the beauty salons is female 61.5%, and the share of men is 38.5%.

Survey of beauty salon consumers and potential customers concerning age showed the following results:

- 1) The age ranges from 15 to 45 years and older. The majority of respondents are between 18 and 45 years old;
- 2) The youth (15 - 17 years old). Students and people, who are being acquainted with beauty salons;
- 3) People, who have already founded a family (18 - 25 years old). Usually it is people, who want to be served in beauty salons, but, as a rule, are financially limited;

- 4) Working age people (26 - 45 years). People already with established career, however with limited freedom of financial action. The primary goals include: improving living conditions, providing financial protection for families and education for children. The care of the appearance follows after all the beforementioned goals;
- 5) Mature working people and seniors (45 year old and above). People in this category are characterised with an increase in income as their financial liabilities decrease. They might afford regular visits to beauty salons. This category of people has accumulated capital and strives to ensure its safety. Although, not many people visit beauty salon, among those, who visit are mostly women.

Moreover, after analysis it was discovered that 35% of respondents do not use beauty services. Those, who do use the services of the beauty salons state that the main motivation for visiting salons are are such specialists as: hairdresser (chosen by 55% of respondents); manicure / pedicure specialist – 25%; make-up artist – 11%, cosmetologist - 6%; and masseur – 3%. Furthermore, it is important to investigate the frequency of visiting salons: 5% chose option of visiting salon once per week, 10% of respondents opted for 2 times a month and 80% chose the option - once a month, whereas 5% chose once in more than month. The beauty salon has an advantageous location, and is aimed on people with an average income.

Based on the results of the SWOT analysis, it can be concluded that Miledi LLC possesses sufficient forces to enhance opportunities and mitigate threats. Analysis of the external environment displayed that the greatest adverse impact is largely posed by economic and political factors. The positive impact on the company is provided by the modernization of marketing technologies and other technological factors.

From the competitors' profiles it can be seen that Miledi LLC has a good position, when it comes to product quality, price and responsibility to consumers. There exists a correlation between advertisement and sales promotion. During sales promotion the company exercises an intensive advertising, in pair with the stimulation of sales at a reduced price. Also, the company does not use branding, which is an integral part of the communication process for the company. The budget for marketing activities is not being elaborated effectively, there is no calendar plan. A marketing budget is advised to be created every year. At the same time, during the year, the company should adhere to it. This helps to avoid any unforeseen situations when implementing the marketing plan.

### **III. PROJECT PART**



### 3 MARKETING STRATEGY PROPOSAL

#### 3.1 Marketing strategy proposal

In order to increase sales, to increase the number of customers, obtain a more secure position, increase the competitiveness level, the beauty salon Miledi needs to consider the improvement their competitive advantages. Competitive advantage is a positive difference from competitors, it is the reason for the consumer to prefer this particular beauty salon, this product or service.

An enterprise can successfully exist and develop if its work satisfies three business participants: consumers, employees and owners of business. This can be done if the salon services have competitive advantages, meaning being leaders in important indicators such as price, quality and level of service.

The competitive advantage of salon services are the value to the consumer that motivates to purchase these services.

Currently, the competitive advantages of the beauty salon Miledi are determined by the interaction of three market participants:

- 1) the beauty salon itself, which delivers a specific kind of services;
- 2) consumers, who may or may not buy these services;
- 3) competition, ready to sell their services to the consumer, satisfying the same needs as the services provided by the salon Miledi. As a matter of fact, the main of the three components is the consumer.

According to M. Porter, there are currently three strategies for creating competitive advantages. Table 16 highlights the distinctive features of each of the data strategies (Porter, 1998).

Table 16. Distinctive features of strategies.

Indicator	Cost Leadership	Differentiation	Focus strategy
The essence of the strategy	Advantage in price level, winning from competitors because of lower cost price of services	Emphasis on the proposal of more attractive services to consumer than competitors via price quality ratio, service, maximum customer satisfaction	Work on clearly defined narrow segment, advantage over all competitors in this segment

Indicator	Cost Leadership	Differentiation	Focus strategy
Level of risk	Low	Medium	High
Implementation time	Implemented during the period necessary for optimization of the price cost	The period for exercising positioning of the firm and its services	The period required for research, choice and occupation of target customer segment on market

The first strategy is Cost Leadership. In this case, the company focus on the costs associated with development and production of services.

The main sources of cost leadership creation are:

- 1) rational administration of operation based on obtained experience;
- 2) economies of scale;
- 3) saving on diversity;
- 4) reduction of overall costs;
- 5) optimization of the enterprise over time;

6) the geographical location of the enterprise, allowing to achieve cost reduction associated with the characteristics of the territory (M. Porter, 1998).

Cost Leadership Strategy provides benefit in cost compared to competitors. Also, it has a low degree of risk during implementation and is realized by optimizing production costs. It is preferable to apply a Leadership Cost strategy for those businesses that target price sensitive customers, for whom the price is an essential factor when choosing a beauty salon.

The second strategy is Differentiation of competitive advantages. With this strategy, the company tries to give the service something distinctive, unusual, what the customer might prefer, and for what the consumer is willing to pay. The differentiation strategy aims to make salon services distinctive from their competitors. To achieve this, it is necessary for the enterprise to go beyond the external marketing, in this perspective internal marketing plays a major role.

The third strategy is focused on the interests of specific consumers. In this case, the company creates services specifically for these consumers. Focus development of salon services is associated with two approaches: that some need of a certain group of customers

is satisfied, or a specific delivery of services is developed. By pursuing a Focus strategy, the company might use at the same time both a price attraction of consumers and differentiation. The Focus strategy involves targeting a narrow segment of customers, as a result of which there is a high level of risk associated with obtaining a specific target segment consumers (Porter, 1998).

To sum up, all three strategies of creating competitive advantage have significant distinguishing features that allows to conclude that the beauty salon Miledi should clearly define such a strategy, which it is going to implement. It should be noted that the effectiveness of the various strategies depends on the profitability group (price segment) to which the beauty salon belongs.

For the beauty salon Miledi LLC it is advised to apply Differentiation strategy, due to which the salon will be recognizable from competitors. Differentiation can facilitate service sales of salon by increasing the occupancy rate, the number of services provided or by stabilizing the services delivery, not depending on fluctuations in demand. The differentiation strategy allows beauty salon to concentrate on a broad market segment. The differentiation strategy provides the possibility to make distinctive services that appeal to each group of potential consumers, which assists in obtaining competitive advantage and increased attendance of the enterprise.

Thus, the marketing strategy of the beauty salon might be formulated as follows: customer satisfaction by means of advantage formation that distinguish the salon from competitors. The strategy is to position the Miledi LLC as a salon, which offers its visitors a service that is distinguished by the highest quality, and at the same time at reasonable prices.

Therefore, the differentiation marketing strategy, determined the development strategy of the salon, the strategy is presented in Table 17.

Table 17. Development strategy of the salon Miledi LLC

Goals	Directions
Global (Mission)	Consumer needs satisfaction through the development of advantages, aimed at distinguishing the salon from competition

Goals	Directions
Strategic	1. Increase in sales due to an increase in the number of customers. 2. Increasing the level of recognition and brand awareness of the salon, distinguishing it from competitors. 3. Expanding the range of services, along with improving their quality.
Tactic	1. Attract new visitors. 2. Change and expand the range of services. 3. Hire highly qualified professionals, and engage in their training. 4. Conduct effective marketing activities.

The development strategy formed on the basis of the marketing strategy of a beauty salon contributes to efficient operation, since it formulates all the main tasks that salon encounters.

The analysis in the previous chapter highlighted weaknesses of Miledi LLC, as well as the parameters in which it lags, compared to its main competitors, it is presented together with activities aimed at their elimination in table 18.

Table 18. Disadvantages of the Miledi LLC and ways to eliminate them

Disadvantage	Solution to overcome it
Low brand awareness	Improvement of marketing activities (outdoor and indoor advertising, Digital Marketing)
Not effective marketing	
Promotion is spontaneous, there is no single concept	
Utilizing just sales promotion activities, loyalty programs, leaflets	
No marketing budget	
No employee responsible for marketing activity	
Range of Services	Improving and extending services range
Quality of services	
No additional services	
Missing feedback from clients	Conducting Surveys

Disadvantage	Solution to overcome it
Motivation of employees	Improving internal marketing
Weak organization culture	
High cost price	Negotiation with suppliers

Since lot of disadvantages were identified, addressing them is going to improve the competitiveness of the salon. In this case, Miledi LLC will not be lagged compared to competitors, the volume of sales of services would increase, due to which additional funds will appear for the further development of the beauty salon and expansion of its business operation. Therefore, to eliminate the identified shortcomings and increase competitiveness of the beauty salon Miledi LLC can adhere to the following areas of work:

#### 1. *Improving advertising activities*

The selected beauty salon utilizes just a few marketing types: Print and Digital Marketing, Promotions and outdoor media. Mostly, these activities are spontaneous and without elaborated budget, despite planning of the Director. With no clear developed system of events aimed at promoting the beauty salon on increasing its popularity, it is impossible to attract customers. Since Miledi LLC is already actively using marketing on the Internet and Social Media in addition to leaflets and magazines, outdoor advertising, then it makes sense to improve existing and invest in other advertising methods. As it was found, the outdoor advertising and digital marketing of the salon loses to the main competitors, therefore, to increase the competitiveness of the salon, it means to address this weakness. Thus, to activate the advertising of Miledi LLC it is advised to following activities:

- Installation of portable information boards on the street near the beauty salon

Information boards attract the attention of potential customers and in the meantime contain information regarding the range of services, prices and promotions held by the salon. By this Miledi LLC increases chances to attract spontaneous customers as well as passers-by.

- Utilizing SMM

Another common advertising method that is used beauty salons, is sending messages in popular messengers - free instant messaging. This advertising method is popular because it is completely free - each client leaves telephone number to arrange any service in the salon,

which administrator later saves in the database. A salon can create a group chat in one of the free communication applications such as Viber or WhatsApp, Telegram. In this conversation, where salon clients have been added, the administrator will send information about salon promotions, discounts, sales, giveaways. This method is high-speed because the information delivery to a large number of customers is performed almost instantly. Also, it is advised to manage Facebook and Instagram – two main social networks of the beauty salon, according to elaborated plan. For now the administrator of Miledi LLC, during the breaks between the clients and phone calls manages it, therefore not dedicating it 100% of effort. It is advised to appoint a responsible person for social networks and two-three days a week to make content for these platforms and manage the advertisement policy. As an alternative, the increase in salary for 30% would motivate administrator to manage social networks of the company, by the help of Director. In addition, the brand awareness might be improved by advertising in local bloggers accounts and targeting. For first period it is advised to hire professional SMM Manager in order to elaborate SMM strategy and visual, customer engagement in SMM, and later adjust to changing tendencies in marketing.

- Outdoor and indoor advertising

To enhance the effect of the light sign of the beauty salon, the technique of moving letters might be used. In addition, special attention should be paid to advertising that is placed directly near the doors of the salon. Moreover, special attention should be paid to advertising that is placed directly inside the beauty salon. It has a seating area where visitors can look through catalogs and magazines, waiting for their turn. It is advisable to place in this area print advertising for the salon – In addition to catalogs, also place posters, flyers, business cards. Such in-salon advertising will once again remind visitors about the advantages of going to this particular salon, about ongoing promotions, about new services, etc. However, it is known fact that when the same advertising material is in front of visitors for a long time, they stop paying attention, so salon needs to take care of the constant updating of advertising materials.

- Using Search Engine Optimization and web site optimization

The next activity is website optimization and promotion. Analysis of the site of Miledi LLC allowed us to identify the positive and negative aspects. In view of the presence of negative aspects, it is proposed to introduce some changes: add an online registration form, as well as promotional materials for cosmetic products and services; display popular services

and cosmetic products on the main page (picture and short description). All this can lead to an increase in the competitiveness of the enterprise. To improve the efficiency of the website of Miledi LLC, it is necessary to make changes to optimize and organize the promotion of the salon on the Internet by SEO tools, thereby increasing awareness and attractiveness for visitors and potential customers. It is advised to cooperate with web agencies, specializing in SEO.

- Planning of Marketing Activity and its budget

In case the Director of the salon will retain the function of marketing management it is advised to prepare a detailed marketing plan and budget. A marketing plan is an instruction based on in-depth analysis and forecasting, including recommendations for taking further actions in the current market conditions. Generally, it takes about 3-4 months to prepare a marketing plan for a beauty salon. Half of this time is spent on collecting all the necessary data, another 40% of the time is the analysis is performed, the remaining 10% of the time is spent on the preparation of the program itself. To prepare a viable project that brings the desired effect, it must reflect all aspects of the business. Due to marketing planning a list of products and services is determined, prices for them are formed, methods of implementation and advertising, methods of attracting customers are identified. The results of marketing planning affect other indicators of the business plan and profitability.

## ***2. Improving and extending services range***

By improving the quality of services and extending the range the beauty salon will gain a competitive advantage. Improvement of quality of services includes development in such areas as continuous trainings of personnel as well as development of motivational schemes, individual approach to customers, objection and complaints handling, optimization of processes in business in order to decrease waiting time of customer, providing of service warranty, i.e. for nail and hair services.

Since the salon currently sells nail and hair care products, it is advisable to expand this range and offer to sale of products for face and body care (foams for washing, face masks, body lotions, etc.), as well as a variety of accessories (washing brushes, beauty blenders, etc.). For increase in sales the practices of cross-selling and upselling of goods and services would be beneficial.

- **Cross-selling**

An increase in the average check is possible even at the stage of customer registration. By assigning a visit time to him, accompanying service should be offered. For example, along with haircut propose manicure, along with nail extension propose pedicure or paraffin therapy. The task of the administrator is to make an additional individual offer for each client.

- **Upselling**

Another way to increase in sales is possible due to availability of several product lines, and proposing a more expensive option. Different suppliers are invited for cooperation. The rich assortment attracts customers, so regular replenishment of new products might cause some excitement among consumers. The goods might be grouped assortment lines, for instance, goods with low, average price and expensive. If the volume of purchases from suppliers are large, there is a higher probability to negotiate with them about discount on products.

### ***3. Collecting feedback from customers***

This factor would change the just one-way perception of the competitiveness of the salon and open a two-way communication, which is extremely important for understanding own weaknesses and strengths, identifying existing disadvantages of work and their timely elimination. For this, it is proposed to conduct surveys of visitors – propose to fill out a small questionnaire, where questions regarding the work of the salon, interaction with employees, prices are included. Also, it might be send to private messages in messengers of the client after visiting salon. For higher response rate stimulating of the motivation is advised. The motivation to fill the questionnaire might be realized in a way of providing discounts or chance to participate in giveaway.

### ***4. Develop consistent approach in internal marketing***

Miledi LLC is required to develop and adjust performance assessment framework, reward and motivation systems, empower employees and inspire them to accept responsibility. Overall, the company is advised to elaborate consistent approach to HR Management. Employees should understand the purpose of the work and the special requirements, so that they themselves can evaluate the results obtained. There is always a



difference between plan, execution and outcome. The director should try to minimize this difference for the employees. Below are formulated the directions of the strategy development in work with personnel, which would lead to increase in competitiveness and sales of Miledi LLC:

- development of a motivational scheme focused on monthly monitoring of the labor market, questionnaires for employees to assess their satisfaction, appraisal of personnel and the elaboration of a program of motivation and management;
- service concept introduction in work with personnel: assessment of the current quality of service by the customers as well as employees themselves;
- training of hired personnel: development of a new training program or search for training institution and company's involvement in training.

### **5. High cost price**

Decreasing cost price would provide a possibility of decreasing price level in the selected beauty salon, therefore obtaining a competitive advantage. First of all, a detailed documentation of the costs should be implemented in order to identify where the loss occurs. If the loss is in product cost, then a good strategy would be to negotiate a price with the supplier, by proposal of buying larger quantity of products. Therefore, more place in salon would be needed in order to display the goods to the customers, ensuring its constant rotation to stimulate sales. If there is a high cost of service, then it is advised to review the materials and their quantity needed for this service, as well as control the doses of needed materials.

It can be concluded that the proposed activities will have a favorable effect on the business activity of the "Beauty Boutique Miledi", as they will contribute to the formation of more sustainable competitive advantages.

## **3.2 Cost-Time-Risk analysis**

Until this moment various analyses were performed and based on their results the marketing strategy was proposed. Further, it is crucial to estimate the proposed project in terms of Cost, Time and Risk anticipated.

### **3.2.1 Cost analysis**

Cost analysis allows discover the trends in the implementation of the plan, to determine the influence of factors on the growth of profits, to establish reserves and to assess the work of the enterprise on the use of opportunities to reduce costs.

The initial investment includes the cost improving marketing activities, such as website optimization and design development, advertising (Internet promotion, outdoor advertising, media advertising), payment for a domain, hosting, installation of an portable information board, additional printed materials like business cards, leaflets and catalogues, SMM specialist consultation, additional shelves for display of the products (table 19).

Table 19. Initial investment

Activity	Sum, UAH
Marketing plan elaboration	0,00
Collecting feedback from customers	0,00
Website optimization	11 200
Advertising	15 000
Portable board	2 000
Printed materials	4 000
SMM specialist consultation	7 500
Additional shelves	20 000
Light sign instalment	7 000
<b>Sum</b>	<b>66 700</b>

Monthly costs include: additional payment to the administrator for implementing SMM activities (targeting, cooperation with bloggers), employee motivation scheme, as well as costs associated with giveaways, loyalty programs for customers, SEO agency services, costs of products for expanding the product range, training programs for employees, workshops (table 20).

Table 20. Follow-up Cost of Marketing Strategy

Activity	Sum, UAH	Sum for 12 months
Salary increase for administrator	2 300	27 600
Targeting, cooperation with bloggers	3 500	42 000
Employee motivation scheme	4 000	48 000
Lotteries (giveaways)	3 000	36 000
Loyalty programs for customers	6 000	72 000
SEO agency services (once in two months)	5 500	33 000
Training of personnel (once in two months)	3 500	21 000
Expanding product range	3 000	36 000
<b>Sum</b>	<b>30 800</b>	<b>315 600</b>

The follow-up cost for one year period constitute 315 600 UAH. This sum was computed with regard, that some activities are occurring each months, and some once in two months.

Table 21. Overall costs for the implementation of activities

<b>Factors</b>	<b>Sum, UAH</b>
Initial investment	66 700
Follow-up costs	315 600
<b>Sum</b>	<b>382 300</b>

The overall cost of implementation of activities constitutes 382 300 UAH.

### 3.2.2 Risk analysis

For the analysis of potential risks and opportunities RIPRAN method is used. It consists from the following stages: preparation of risk analysis, identification of risks, quantification of risks, response to the risk, overall assessment of the risk. All of the stages are in a form of tables and depicted below.

Table 22. Identification of risks

<b>No. of Risk</b>	<b>Threat</b>	<b>Scenario</b>	<b>Note</b>
1	Force Majeure (Corona crisis, third wave)	No possibility to accept passer-by clients, government limitations on business operation	Research about pandemic situation
2	Cost overrun	Transferring budget from other activities to cover the lack of funds, looking for additional sources for covering the expenses	Decreasing degree of budget uncertainty by thorough research
3	Resistance to change	Not adapting to the changing circumstances of business environment and ways of Marketing causing time and funds loss	Soft-skills training of the employees
4	Intermediaries	Supplier provides different products than previously agreed, jeopardizing the image of the salon	Checking the background and opinions of suppliers
5	Market risk	Lack of demand for the beauty services	Elaboration of proper marketing strategy
6	Positive budget risk	Completing the project under the budget, because of special discounts from suppliers	Maintaining good relationship with the suppliers

No. of Risk	Threat	Scenario	Note
7	Marketing risk	Being unable to control all sorts media, which might criticize the salon and give it bad publicity	Prepare back up plan and planning the resources for eliminating of this problem
8	Rent risk	Owner of premises unwilling to prolong rent contract	Ensuring the contract for longer period of time and stimulate loyalty of customers
9	Time schedule risk	Activities delay in time	Assigning extra time for activities

The next step is quantification of risks.

Table 23. Quantification of risks

No. of Risk	Threat	Scenario	Probability	Effect on a project	Value of risk, UAH
1	Force Majeure (Corona crisis, third wave)	No possibility to accept passer-by clients, government limitations on business operation	20%	Not being able to finish the project on time, decrease in sales. Cost 100 000 UAH	20 000
2	Cost overrun	Transferring budget from other activities to cover the lack of funds	15%	Searching additional sources for covering the expenses, 10 000 UAH	1500
3	Resistance to change	Not adapting to the changing circumstances of business environment and ways of marketing, causing time and funds loss	5%	Time and funds loss, prolonged implementation of activities, Cost 12 000 UAH	600
4	Supplier risk	Supplier provides different products than previously agreed, jeopardizing the image of the salon	10%	Jeopardising the image of the company, quick search needed products, 30 000 UAH	3 000
5	Market risk	Lack of demand for the beauty services	8%	Providing the services for lower price, 40 000 UAH	3 200
6	Positive budget risk	Completing the project under the budget, because of special discounts from suppliers	9%	Savings, Unused funds, Discounts from suppliers Cost 25 000 UAH	2 250

No. of Risk	Threat	Scenario	Probability	Effect on a project	Value of risk, UAH
7	Marketing risk	Being unable to control all sorts media, which might criticize the salon and give it bad publicity	12%	Additional resources for PR and advertisement Cost 70 000 UAH	8 400
8	Rent risk	Owner of premises unwilling to prolong rent contract	14%	Additional resources for relocation and establishing brand loyalty, 90 000 UAH	12 600
9	Time schedule risk	Activities delay in time	11%	Additional time for implementing activities, 8 000 UAH	880
<b>Total Risk Value</b>					<b>52 430</b>

Further, the response to risk is formed.

Table 24. Response to the Risk

No. of Risk	Solution suggestion	Anticipated costs	Value of lowered risk, UAH
1	Considering proposal of online workshops for clients, elaboration of educational courses and selling them	40 000 UAH for implementation and filming	8 000
2	Reassigning resources, search of investors	5 000 UAH needed for access to database, creation of plan	750
3	Funding soft-skills courses for employees	7 000 UAH for organizing course for employees	350
4	Check the background of the supplier and reviews	2 000 UAH, spending time on checking the reviews and calling other salons to ask their opinion	200
5	Creating marketing plan for the promotion of the services	Zero Risk Value	0
6	Enhancing the opportunity	Zero risk value, negotiating terms with suppliers	0
7	Collaboration with the trusted and big media, working on loyalty of the customers	40 000 UAH, investment in communication policy	4 800
8	Establishing good relations with owners, be aware of estate market	3 000 UAH, access to estate web pages, business gifts for owners	420

No. of Risk	Solution suggestion	Anticipated costs	Value of lowered risk, UAH
9	Making an alternative plan for shortening the time of implementation of activities for reaching project's due date	Zero Risk Value	0
<b>New Total Value of Risk</b>			<b>14 520</b>

**Overall assessment of the risk.** After evaluating possible risks in connection to the implementation of the strategy, it might be concluded that there are not a lot of risks with high probability. Generally, the risk for the project is closer to the medium-low probability, which makes it possible to launch it with project with previously applied preventive and response scenarios for risks number 1, 2, 7 and 8, as they are constituting the most probable risks for this specific project, with the total risk value of 52 430 UAH and lowered risk value of 14 520 UAH. At this stage possible risks are foreseen, although during the executing the project new risks might appear. For this reason it is essential to monitor them on each stage of the project and respond to them as quickly as possible in order to minimise the damage and mitigate the consequences of the risk, along with taking into consideration SWOT and PESTLE analysis of the beauty salon.

### 3.2.3 Time analysis

For the time analysis in the given thesis the Gantt Chart Method is used. This type of diagram is utilized to plan and control project execution. The diagram shows the tasks and stages of the project, taking into account their duration. The total time of the strategy implementation is 12 months. Each bar represents the activity and its duration, also stating the date of start and end. The diagram and specific activities are presented below.

Activities/Months	1	2	3	4	5	6	7	8	9	10	11	12
Website optimisation	█											
Advertising	█											
Portable Board installing	█											
Printing Materials			█									
SMM Consultation		█										
Installing additional shelves	█											
Installing Light Sign	█											
Salary increase for administrator	█	█	█	█	█	█	█	█	█	█	█	█
Targeting, cooperation with bloggers	█	█	█	█	█	█	█	█	█	█	█	█
SEO Agency services		█	█	█	█	█	█	█	█	█	█	█
Employee motivation	█	█	█	█	█	█	█	█	█	█	█	█
Lotteries (Giveaways)	█	█	█	█	█	█	█	█	█	█	█	█
Loyalty programs for customers	█	█	█	█	█	█	█	█	█	█	█	█
Expanding product range	█	█	█	█	█	█	█	█	█	█	█	█
Training of personnel	█		█		█		█		█		█	
Collecting feedback from customers		█			█			█			█	
Marketing plan elaboration	█	█										

Figure 17. Gantt Chart for the Proposed Strategy.

With the newly formulated marketing strategy it is important to increase its perceived value. Due to this fact, perceived value will have a greater effect on the salon in perspective of the long-term profit growth. Further, 5P concept of the chosen marketing strategy is presented.

- Product elements

The product offered by the “Beauty Boutique Miledi” are beauty services for residents of Lviv, Ukraine (manicure, pedicure, hair style, makeup, eyebrow shaping, cosmetology, massage). The quality of the products sold is on a high level. In Miledi LLC only certified products are used. The products correspond to the legal regulations. The product and service is differentiated. The range of products is higher, than the in competition. Services are performed by highly professional employees, who strive to satisfy all the client's requests, even unconscious. Level of service is on the high level, as the individual approach to customers is used. The waiting time for a client is minimized and working hours of the beauty salon prolonged. The possibility of two services at once exists. The registration for services is available online via automatic application form on the salon's webpage and social networks.

- Price and other user outlays

Beauty salon Miledi pricing corresponds to the market average and quality of services. However, due to the proposed system of bonus cards will allow the salon to differentiate pricing, since for the customers, using such cards the price of services and products of the salon will be lower. In addition, the salon has discount programs and promotions, which also allow prices differentiation. To reduce the price level, the salon is working to reduce the cost (agreement on prices or search for new suppliers, negotiates with owner of the premises), as it provides the possibility to obtain the highest possible profit.

- Place and time

The place is easily accessible, with the possibility to park a car. The atmosphere in salon is excellent, each client has an individual approach. The premises of the salon are comfortable and luxurious, roomy. In addition, the customer might buy wide range of cosmetic products and use various services in one place.



- Promotion and education

Salon is working to increase the number regular customers, by utilizing the system of bonus card and loyalty programs. Also, Miledi is engaged in active advertising (Internet (SMM and SEO, print advertising, outdoor advertising) in order to increase brand awareness and inform the potential customers about the advantages of the salon. For the stimulation of demand Miledi LLC uses lotteries and giveaways, as well as continues to expand the list of offered products and services targeted at the market segment of working women in Lviv at the age of 18-45, who are primarily interested in salon services. It should also be noted that the salon is oriented not only on residents of the district where it is located, since outdoor advertising is used, but also on residents of the city, since some means of Digital advertising are used.

- People

In salon there are: developed performance assessment framework, reward and motivation systems which, empower employees and inspire them to accept responsibility. The consistent approach to HR Management is used. Employees understand the purpose of the work and the special requirements, so that they themselves can evaluate the results obtained. Employees have a possibility to undergo trainings and visit workshops.

The proposed marketing strategy is aimed at increasing the salon's competitive advantage with the help of diversification. To implement the activities needed for increasing the competitiveness of Miledi LLC 12 months would be needed and the budget of 382 300 UAH. The occurring risks are of medium-low probability, which makes it possible to launch project with previously applied preventive scenarios, although during the executing the project new risks might appear. Thus, it is essential to monitor them on each stage of the project and react to them as quickly as possible for their mitigation.

## CONCLUSION

The aim of this thesis was elaborating marketing strategy proposal for the chosen beauty salon. In addition, to the further objectives belong: complying the theoretical basis and thorough analysis of the beauty salon operation along with the evaluation of the proposed marketing strategy in relation to cost, time and risks of the project. All of the abovementioned objectives and aims contributed to the following structure of the thesis and the results of the research is as follows:

The first part was focused on the theoretical background of marketing activities, elaborating marketing strategy, overview of services marketing and beauty industry in Ukraine. As a result, it might be noted that marketing, as a management function is as necessary as any activity in the organization related to finance, production, research and development, etc. The goal of marketing is to ensure the highest possible level of consumption by increasing sales, profits utilizing various marketing methods. Strategic planning in combination with the analysis of marketing information becomes a development factor, allowing capturing trends in the economy, structural shifts, change in the minds of people. With the growth of services segment of economy the services marketing becomes more important. Services marketing communicates the benefits to the customer, defines the target market and the promotion of services effective for this specific market, moreover it has distinctive features, different from product marketing. Beauty services market in Ukraine might be characterized with an intensive growth, where the majority of beauty establishments are of middle and middle plus class.

The second part was dedicated to analysis of the business operation of “Beauty Boutique Miledi” as well as its marketing activity. Consequently, it might be noted that selected beauty salon targets the residents of Lviv, Ukraine. The mission of the Beauty Boutique Miledi is discover the existing potential of the beauty hidden deeply inside the customer. The goal of the company is the development of the enterprise on the basis of ensuring its safe financial position through the implementation of effective activities leading to maximum profit.

The beauty salon Miledi has the linear structure, as it is the structure for the quick coordination and efficient communication along with control and supervision in a small enterprise, where only 14 people are employed. Further, the analysis of consumers using beauty services was conducted. The questionnaire was used for this purpose. It was distributed in the salon premises in addition to its social media. As the result of the analysis it was discovered that the main share of clients of the beauty salons is female 61.5%, and the

share of men is 38.5%. The age ranges from 15 to 45 years and older. The majority of respondents are between 18 and 45 years old.

Moreover, after analysis it was discovered that 35% of respondents do not use beauty services. Those, who do use the services of the beauty salons state that the main motives for visiting salons is mostly hairdresser (chosen by 55% of respondents). Furthermore, The majority of respondents visit beauty salons once a month. The beauty salon has an advantageous location, and is aimed on people with an average income.

Based on the results of the SWOT analysis, it can be concluded that Miledi LLC has the capability to enhance opportunities and mitigate threats. Analysis of the external environment displayed that the greatest adverse impact is largely posed by economic and political factors. The positive impact on the company is provided by the modernization of marketing technologies and other technological factors.

Among the competition Miledi LLC has a good position, when it comes to product quality, price and responsibility to consumers. There is a correlation between advertisement and sales promotion. Also, the company does not use branding, which is an integral part of the communication process for the company. The budget for marketing activities is not being elaborated effectively, there is no plan. In addition, current marketing mix of the company was analyzed.

In the third part the main disadvantages of the salon operation were identified, new marketing strategy was proposed. In addition, the cost, time and risk analysis of the strategy implementation was conducted.

The marketing strategy of the beauty salon is proposed to be aimed at differentiation: customer satisfaction by means of advantage formation that distinguish the salon from competitors. The strategy is to position the Miledi LLC as a salon, which offers its visitors a service that is distinguished by the highest quality, and at the same time reasonable prices. The new mission, strategy and tactics were identified.

Mission of the company is consumer needs satisfaction through the development of advantages, aimed at distinguishing the salon from competition. Strategy: Increase in sales due to an increase in the number of customers, increase in the level of recognition and brand awareness of the salon and distinguishing it from competitors along with expanding the list of services with improving the quality. The tactical plan is to attract new visitors, change and expand the list of services, hire highly qualified professionals, engage in their training also to conduct effective marketing activities. As a result, new marketing mix was proposed.

The measures for implementation of the marketing strategy proposal were identified in order to improve the competitiveness of the salon. The overall cost of implementation of activities constitutes 382 300 UAH. The total time of the strategy implementation is 12 months. After evaluating possible risks in connection to the implementation of the strategy, it might be concluded that there are not a lot of risks with high probability. Generally, the risk for the project is closer to the medium-low probability, which makes it possible to launch the project with previously applied preventive and response scenarios. Although, it is essential to monitor them on each stage of the project and respond to them as quickly as possible in order to minimise the damage and mitigate the consequences of the risk.

The proposed differentiation strategy will distinguish the salon from competitors and enhance service delivery of Miledi LLC by increasing the occupancy rate, the number of services provided or by stabilizing the services consumption. Also, it provides the possibility to make distinctive services that appeal to each group of potential consumers, which helps to obtain competitive advantage and increased attendance of the enterprise.

**BIBLIOGRAPHY**

1. AHMAD, Nadim a Richard G. SEYMOUR. *DEFINING ENTREPRENEURIAL ACTIVITY: Definitions Supporting Frameworks for Data Collection*. Paris: OECD Publishing, Dostupné z: doi:10.1787/18152031
2. American Marketing Association, 2021. Definitions of Marketing. *Definitions of Marketing* [online]. Chicago: American Marketing Association [cit. 2021-6-1]. Dostupné z: <https://www.ama.org/the-definition-of-marketing-what-is-marketing/>
3. *Beauty Boutique Miledi* [online], 2020. Lviv: Beauty Boutique Miledi [cit. 2021-4-4]. Dostupné z: <https://miledi.lviv.ua/>
4. *Beauty Market Overview* [online], 2020. Kyiv: ProConsulting [cit. 2021-6-4]. Dostupné z: <https://pro-consulting.ua/ua/pressroom/rynka-salonov-krasoty-v-ukraine-i-sng-analiticheskij-obzor>
5. BRADLEY, Frank, 2003. *Strategic Marketing: in the customer-driven organization* [online]. Chichester: John Wiley [cit. 2021-4-4]. ISBN 0-470-84985-1. Dostupné z: <http://msport04.free.fr/Books/Strategic%20Marketing%20In%20the%20Customer%20Driven%20Organization.pdf>
6. BROWN, Stephen, 2001. Art or Science? Fifty Years of Marketing Debate. *The Marketing Review* [online]. 2, 89-119 [cit. 2021-5-16]. Dostupné z: doi:10.1362/1469347012569454
7. DAVID, Fred, 2010. *Strategic management: Concepts and cases* [online]. 13th. Upper Saddle River: Prentice Hall [cit. 2021-6-4]. ISBN 978-0-13-612098-8. Dostupné z: [https://pracownik.kul.pl/files/12439/public/3\\_David.pdf](https://pracownik.kul.pl/files/12439/public/3_David.pdf)
8. DRUCKER, Peter, 1986. *Management: Tasks, Responsibilities, Practices* [online]. New York: TRUMAN TALLEY BOOKS [cit. 2021-6-4]. ISBN 0-525-24463-8. Dostupné z: [https://www.academia.edu/7194379/Management\\_Tasks\\_Responsibilitiesit\\_Peter\\_Drucker](https://www.academia.edu/7194379/Management_Tasks_Responsibilitiesit_Peter_Drucker)
9. GE McKinsey Matrix: A Multifactorial Portfolio Analysis in Corporate Strategy, 2021. *Business to you* [online]. Rotterdam: Business to you [cit. 2021-5-24]. Dostupné z: <https://www.business-to-you.com/ge-mckinsey-matrix/>

10. HAMBRICK, Donald C. a James W. FREDRICKSON, 2001. Are you sure you have a strategy? *Academy of Management Executive*. **15**(4), 48–59.
11. CHRISTIAN GRONROSS, Christian, 2015. *Service management and marketing: managing the service profit logic* [online]. 4th. Chichester: John Wiley [cit. 2021-5-20]. ISBN 9781119092841. Dostupné z: <http://17imc.ir/uploads/uploads/Service%20Management%20and%20Marketing.pdf>
12. JALOLOVNA, Mamatkulova Shaira, 2020. Features of the Development of the Marketing strategy of the Enterprise. *European Journal of Molecular & Clinical Medicine* [online]. **7**(2), 6194- 6205 [cit. 2021-5-10]. ISSN 2515-8260. Dostupné z: [https://ejmcm.com/article\\_3733\\_a59934334f5c163bf70bab96efa511e8.pdf](https://ejmcm.com/article_3733_a59934334f5c163bf70bab96efa511e8.pdf)
13. JAUHARI, Vinnie a Kirti DUTTA. *Services marketing: text and cases*. 2nd ed. Oxford: Oxford University Press, 2017, 578 s. ISBN 9780199456161.
14. KING, Stetson, 2018. *Marketing Strategies for Small Business Sustainability*. Walden. Dissertation. Walden University.
15. KOTLER, Philip a Gary ARMSTRONG, 2017. *Principles of Marketing*. 17th. Harlow: Pearson. ISBN 978-0134492513.
16. KOTLER, Philip a Kevin Lane KELLER. *Marketing management*. 12th ed. Upper Saddle River, NJ: Pearson Prentice Hall, 2006, 733 [45] s. ISBN 0131457578
17. KOTLER, Philip a Kevin Lane KELLER. *Marketing Management*. 14th. New Jersey: Prentice Hall, 2013, ISBN 978-0-13-210292-6.
18. KOTLER, Philip et al., 2005. *Principles of Marketing*. 4th. Harlow: Pearson Education. ISBN 978-0-273-68456-5.
19. LEVITT, Theodore, 1981. Marketing Intangible Products and Product Intangibles. *Cornell Hotel and Restaurant Administration Quarterly*. **22**(2), 37–44. Dostupné z: doi:10.1177/001088048102200209
20. LOVELOCK, Christopher a Jochen WIRTZ, 2011. *SERVICES MARKETING: PEOPLE, TECHNOLOGY, STRATEGY*. 7th. Upper Saddle River: Prentice Hall. ISBN 978-0-13-610721-7.

21. LOVELOCK, Christopher H. a Jochen WIRTZ. *Services marketing: people, technology, strategy*. 6th ed. Upper Saddle River, NJ: Pearson/Prentice Hall, 2007, 648 s. Pearson international edition. ISBN 0132056763
22. McKinsey, 2020. *Beauty and personal care market value worldwide from 2005 to 2019, by category (in billion U.S. dollars)*, [online]. Statista. Statista Inc.. Accessed: June 01, 2021. <https://www-statista-com.proxy.k.utb.cz/statistics/550657/beauty-market-value-growth-worldwide-by-country/>
23. *Meaning of word Milady* [online]. c2009-2021. Springfield, Massachusetts: Merriam-Webster Dictionary [cit. 2021-3-23]. Dostupné na internete: <https://www.merriam-webster.com/dictionary/milady>
24. MESCON, Michael, Michael ALBERT a Franklin KHEDOURI, 1997. *Management* [online]. Moscow: Delo [cit. 2021-5-6]. ISBN 0-0604-4415-0.
25. MULLINS, John W. a Orville C. WALKER, JR, 2013. *Marketing management: a strategic decision-making approach*. 8th. New York: McGraw-Hill. ISBN 0-07-802879-5.
26. PERREAULT, William D. a E. Jerome MCCARTHY, 2002. *Basic Marketing: A Global-Managerial Approach*. 14th. New York: McGraw-Hill. ISBN 007112110-2.
27. PORTER, Michael E. *Competitive strategy: techniques for analyzing industries and competitors*. New York: Free Press, 1998, 396 s. ISBN 0684841487.
28. PORTER, Michael E. *On competition. Updated and expanded ed.* Boston, MA: Harvard Business School Publishing, 2008, 544 s. ISBN 9781422126967.
29. RAHMAN, Muhammad Sabbir, ZAMAN, Mahmud Habib a Md Afnan HOSSAIN. *Service Marketing Strategies for Small and Medium Enterprises: Emerging Research and Opportunities*. 1st ed. Hershey, USA: IGI Global, 2018. ISBN 1522578919.
30. SMITH, Paul R. a Ze ZOOK. *Marketing communications: integrating offline and online with social media*. 5th ed. London: Kogan Page, 2011, 483 s. ISBN 9780749461935.
31. TIMOFEEV, Sergiy, 2020. *Analysis of Beauty Services Market in Ukraine and Worldwide* [online]. Kharkiv [cit. 2021-4-4]. Dostupné z: <http://91.234.42.22/bitstream/123456789/22596/1/Cosm-2020-Book%20%281%29-39.pdf>. National University of Pharmacy.

32. TUNGATE, Mark. *Branded beauty: how marketing changed the way we look*. London: Kogan Page, 2011, online zdroj (278 stran). ISBN 9780749461829
33. USLAY, Can, Robert E. MORGAN a Jagdish N. SHETH, 2008. Peter Drucker on marketing: an exploration of five tenets. *Journal of the Academy of Marketing Science* [online]. [cit. 2021-4-4]. Dostupné z: doi:10.1007/s11747-008-0099-8
34. WHITE, Colin, 2004. *Strategic management*. Houndmills, Basingstoke, Hampshire: PALGRAVE MACMILLAN. ISBN 1-4039-0400-6.
35. World Bank, 2020. *Share of economic sectors in the gross domestic product (GDP) of selected global regions in 2019*, [online]. Statista Inc.. Accessed: May 30, 2021. <https://www-statista-com.proxy.k.utb.cz/statistics/256580/share-of-economic-sectors-in-the-gross-domestic-product-by-global-regions/>



## **LIST OF ABBREVIATIONS**

SWOT- Strengths Weaknesses Opportunities Threats analysis

PESTEL – Political, Economical, Social, Technical, Environmental, Legal factor analysis

SBU- Special Business Unit

GE –General Electric Company

SEO - Search Engine Optimization

SMM - Social Media Marketing

SME - Small and Medium Enterprise

**LIST OF FIGURES**

Figure 1. Core Marketing Concepts.....	13
Figure 2. Levels of Strategies. ....	19
Figure 3. BCG Matrix. Source: Mullins and Walker, 2013 p.52.....	20
Figure 4. GE Matrix. Source: Business to you, 2021. ....	21
Figure 5. Share of economic sectors in the gross domestic product (GDP) of selected global regions in 2019. Source: Statista, 2021. ....	28
Figure 6. Three types of Marketing in Service Industries. ....	36
Figure 7. Beauty and personal care market worldwide from 2005 to 2019, by category (in billion US dollars). Source: McKinsey, 2020, accessed on Statista, 2021 .....	39
Figure 8. The Class Structure of Beauty Salons on Ukrainian Beauty Market, %.....	40
Figure 9. Organizational structure of the beauty salon Miledi LLC.....	45
Figure 10. Customer Gender Structure, %.....	49
Figure 11. Customer Age Structure, %.....	50
Figure 12. Customers' Occupation, %.....	51
Figure 13. Customers Income Level, UAH.....	51
Figure 14. Most Demanded Services Structure, %.....	52
Figure 15. Porter's Five Forces Model. Source: Porter, 1998 .....	62
Figure 16. Components of the success of a beauty salon, %.....	68
Figure 17. Gantt Chart for the Proposed Strategy. ....	87

**LIST OF TABLES**

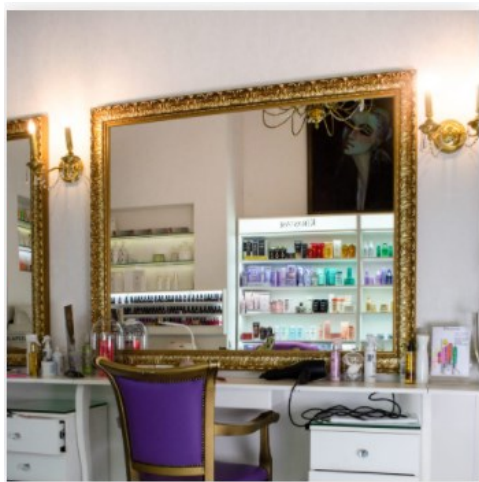
Table 1. Components of Marketing Strategy.....	19
Table 2. Three stage model.....	37
Table 3. The personnel of the beauty salon Miledi LLC.....	48
Table 4. Analysis of the financial results of Miledi LLC in 2020.....	52
Table 5. Dynamics of profitability indicator of Miledi LLC in the period Q2 2020 –Q4 2020. .....	53
Table 6. SWOT analysis of Miledi LLC .....	54
Table 7. Measures for strengthening of the position of Miledi LLC.....	55
Table 8. Threats and Opportunities with Measures to address/enhance them.....	56
Table 9. PESTEL analysis .....	57
Table 10. Importance of PESTLE factors.....	57
Table 11. Strategical Response on PESTLE Factors.....	58
Table 12. Porter’s five forces analysis.....	62
Table 13. Assessment of Competitors .....	65
Table 14. The budget of the marketing activities in the Miledi LLC, UAH. ....	67
Table 15. Current Marketing Mix of Miledi LLC. ....	69
Table 16. Distinctive features of strategies.....	73
Table 17. Development strategy of the salon Miledi LLC .....	75
Table 18. Disadvantages of the Miledi LLC and ways to eliminate them .....	76
Table 19. Initial investment .....	82
Table 20. Follow-up Cost of Marketing Strategy .....	82
Table 21. Overall costs for the implementation of activities.....	83
Table 22. Identification of risks .....	83
Table 23. Quantification of risks .....	84
Table 24. Response to the Risk.....	85

## **APPENDICES**

Appendix P I: Photos of Miledi LLC

Appendix P II: Questionnaire

**APPENDIX P I: PHOTOS OF MILEDI LLC**



## APPENDIX P II: QUESTIONNAIRE

1. Gender:

a) Female; b) Male.

2. Age: a) 15-17 y. o.; b) 18 – 25 y. o.; c) 26 – 45 y. o.; d) 40+ y. o.

3. Occupation: a) Pupil; b) Student; c) Employed; d) Senior.

4. What is your income level?

a) from 4,723 up to 6,000 UAH; b) from 6,000 to 8,000 UAH; c) from 8,000 and 10,000 UAH; c) from 10 000 UAH.

5. Are you visiting a beauty salon? a) Yes; b) No.

6. In case of not visiting beauty salon: what is the reason?

a) Insufficient funds; b) Lack of time; c) Beauty procedures at home, d) Other.

7. The main motive of visiting the salon:

a) Hairdresser; b) Cosmetologist; c) Makeup artist; d) Masseur; e) Manicure / pedicure specialist, f) Solarium.

8. How often do you visit the salons? a) Once a week; b) Two times a month; c) Once a month; d) Once in more than month.

9. What of the services you are utilizing the most frequently:

a) Nail services; b) Hair coloring; c) Massage; d) Eyebrow shaping; e) Haircut; f) Facial/cosmetology; g) Wax depilation; h) Evening hairstyle.

10. Will you visit the salon if it is far from home (work, study), but satisfies you in terms of price and quality of work? a) Yes; b) No.

11. To your mind, what contributes the most to the success of the beauty salon.

a) Qualified Service; b) Outdoor advertisement; c) Atmosphere; d) Logo; e) Digital advertisement; f) Loyalty programs; g) Web page

